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# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

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22 October 1984

## EAST EUROPE REPORT

### ECONOMIC AND INDUSTRIAL AFFAIRS

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## BRIEFS

**POLISH-SOVIET AVIATION VENTURES**--In commemoration of the 40th anniversary of collaboration between the aircraft industries of both countries the Polish Aircraft Industry plant at Mielec played host to a Soviet delegation headed by Boris P. Bugayev, minister of civil aviation, and Anufriy V. Bolbot, vice minister of the aircraft industry. They were accompanied by Janusz Maciejewicz, minister of metallurgy and the machine building industry. The Mielec plant employees delivered a report on the completion of their 10,000th AN-2 aircraft. These aircraft are manufactured in several different versions and are sold for export to many countries. Most of these aircraft are built for delivery to the USSR. This anniversary AN-2 aircraft copy is also slated for delivery to the Soviet Union. During a ceremony held in the sports and recreation hall of the Stal-Mielec Club members of the Soviet delegation were presented with the delivery papers for this aircraft. Persons with distinguished service records in the development of the Polish aircraft industry were decorated with high-ranking government medals. Antoni Kolano from the Transportation Equipment Plant in Kalisz received the Commander's Cross of the Order Polonia Restituta, and Stefan Mlynarczyk from the Ministry of Foreign Trade received the Officer's Cross of the Order Polonia Restituta. Other decorations presented included 23 Knight's Crosses of the Order Polonia Restituta and Crosses of Merit. A group of Soviet design engineers and aircraft industry officials were honored with the presentation of the ministry medal "For Service in the Advancement of the Machine Building Industry." [Text] [Warsaw ZYCIE WARSZAWY in Polish 26 Sep 84 p 2]

**NIECKARZ MEETS SOVIET BANK OFFICIAL**--On 25 September Stanislaw Nieckarz, minister of finance, met with the chairman of the board of the International Investment Bank in Moscow, Albert Belichenko. The discussions that were held during this meeting, also attended by Stanislaw Majewski, president of the National Bank of Poland, focused on problems of financial cooperation with the International Investment Bank as well as prospects for establishing a closer working relationship in the future. [Text] [Warsaw ZYCIE WARSZAWY in Polish 26 Sep 84 p 2]

**INTERNATIONAL PLANNING CONFERENCE**--Methodological problems associated with medium- and long-term economic planning and forecasting are the topics of an international conference attended by representatives from planning institutes in Bulgaria, Czechoslovakia, the GDR, Hungary, the USSR and Poland that opened in Warsaw on 25 September. During the first day of the conference proceedings J. Zajchowski, deputy chairman of the Planning Commission of the Council of Ministers, briefed the participants on progress of work on the drafting of Poland's National Socioeconomic Plan for 1986-1990. [Text] [Warsaw TRYBUNA LUDU in Polish 26 Sep 84 p 2]

## CZECHOSLOVAKIAN ROBOT INDUSTRY SURVEYED

Moscow MASHINOSTROITEL' in Russian No 5, May 84 pp 42-43

[Article: "Robots in Machinebuilding of Czechoslovakia"]

[Text] The word "robot" was used for the first time by Czech writer Karel Capek in his play RUR, published in the 1920s. At present, this word is used in various languages to denote automatic manipulators equipped with various gripping devices and tools and that can be programmed to operate on a relatively wide scale.

The national economic plans of Czechoslovakia envisions that in 1985 production processes will include about 3000 industrial robots and manipulators. Each of them must replace 1.6 workers on the average. In 1986-1990, it is planned to use 10,000 more of such devices with each one replacing 2.5 workers on the average. Thus, even in the eighties, robots must replace the labor of 30,000 people.

The use of robots is envisioned in various sectors of industry and primarily in machinebuilding. At first, they will be installed in sections where they can free workers from hard physical labor or monotonous operations, and from work under unhealthy conditions. They will also be used where high precision of operations is required.

The problem of general state coordination of planning-design work on developing robots was given to the Preshov Scientific Research Metallurgical Industrial Institute. Specialists of this institute designed an aggregated system of robots and manipulators, and are helping industrial enterprises assimilate them in practice.

Individual types of robots from Preshov differ primarily by the weight of objects that they can manipulate. The "PR-4" robot can manipulate parts weighing up to 4 kg, the PR-16P" -- parts up to 16 kg, "PR-32Ye" -- parts weighing up to 32 kg, etc. This institute also designed a series of industrial manipulators whose operating possibilities are somewhat limited as compared to robots.

A considerable contribution in developing robotization in the ChSSR is the cooperation between this institute and Soviet establishments, especially with planning-design institutes such as the ENIMS [Experimental Scientific Research Institute of Metal-Cutting Machine Tool] in Moscow, the NIISL [expansion

unknown] in Odessa and the ENIKmash [Experimental Scientific Research Institute of Forge-Press Machinebuilding] in Voronezh..

The Preshov Industrial Automation Enterprise is among the leading enterprises for manufacturing robots. Its production program includes the "PR-16" industrial robot, manipulators for servicing forge-press machine tools, as well as control systems for various types of robots. The Snina "Vigorlat" Plant supplies "MTL-10" manipulators for automatic servicing of casting machines under pressure and the "UM-160" universal manipulators, designed for working with cylindrical parts weighing up to 160 kg being machined.

Other planning-designing establishments and machinebuilding plants are also involved in the design and production of robots and manipulators. For example, the Czechoslovakian Motorcycle Plant designed the "PROB-10" industrial robot which will be used in automating machining and flat molding processes. Its design is unitized so that devices of various complexities can be assembled. The robot will be supplied with electromechanical or electronic control systems.

High precision electrical equipment plants in Prague designed two types of robots that have no hydraulic or pneumatic parts and all units are set in motion by three-phase induction motors. Designers from the Slovak Pyeshtiny City developed a robot that replaces a man in enameling and painting parts and finished products.

At present, Czechoslovakian industry uses about 1500 programable robots and various types of manipulators. Those devices are used primarily in machinebuilding.

For example, in the Detva Heavy Machinebuilding Plant three welding sections are equipped with robots. They facilitated an increase in the productivity of labor, an improvement in working conditions and a reduction in the labor-intensiveness of production. At the "ChKD" Plant (Prague) imported robots weld sections for diesel-electric locomotives; at the "Vostochnocheske zhelezarny" plant robots and manipulators are used to stamp radiators; at the Mlada-Boleslav Automobile Plant, they are used to cast metal under pressure. Robots are used at other machinebuilding plants to move various heavy loads; in casting under pressure stators of electrical motors; surface machining of sections; rolling and for other production operations.

It is planned to use robots and manipulators also in other industrial sectors. For example, at the Gotval'dov "Svit" Combine, the largest manufacturer of shoes in Czechoslovakia, robots are used in the production of soles and other shoe components by injection into molds. The use of robots is being investigated in agriculture and other sectors of the national economy.

The expansion of the area of robot and manipulator utilization in production practice makes it possible to assume that in the eighties, these devices will become one of the important reserves for increasing the productivity of labor and improving its conditions.

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POLLUTION DAMAGE TO FORESTS REVIEWED

Munich SUEDEUTSCHE ZEITUNG in German 27 Aug 84 p 3

[Article by Hannes Burger: "Struggle for Survival in the Erz Mountains. Forest Damage in Czechoslovakia. CSSR Forestry Scientists Now Seriously Intend to Get to the Root of the Environmental Problems"]

[Excerpts] The picture presenting itself to the observer traveling through the northwestern Erz Mountains is, of course, nothing new in the West. For almost two years, the photos depicting the dying of the forests in Czechoslovakia have been disseminated as warning and deterrent examples and have to some extent even been interpreted as constituting documentation for the future of the entire central European landscape.

"The Erz Mountains are now an internationally known term: This fact does not amuse us, but we have to accept things the way they are," according to a statement made by forestry specialist Jan Materna, who is in charge of the department of ecology of the Institute of Forest Science in Prague. Materna is an internationally recognized forestry scientist who due to his participation on trips and professional meetings is also familiar with forest damage in the West European countries.

Careful Analyses

However, what bothers him most with respect to the pertinent public statements in the West is not so much the political fact that in them the CSSR is more or less branded as being the leading European environmental culprit, what distresses him considerably more is the polemical simplification and the improper and undifferentiated blending of hardly comparable causes and effects of the damages caused in entirely different forest areas. According to Materna, "The example of the Erz Mountains can not just be readily applied to other cases and is not simply the conclusion of a development which also awaits the Black Forest and the Bavarian Forest, as well as the Riesengebirge or the forests of southern Bohemia."

On the one hand, forestry specialist Materna may, of course, be assumed to be making efforts to modify to some extent the dramatic depictions of the dying of the forests in the CSSR by the Western media. On the other hand, however, his not at all uncritical but well-founded interpretations as well as the analyses prepared by his institute show that the authorities



in the CSSR are no longer intent on merely fending off criticism but on seriously getting to the roots of the environmental problems.

At the environmental conference in Munich, Bavaria's first neighboring country to the east has taken on the obligation to reduce its air pollution. And on the occasion of Prague Foreign Minister Chroupek's visit to Bonn it was decided to set up a joint working group for the purpose of undertaking a systematic approach to the border-transcending environmental problems between the Federal Republic and the CSSR.

What disturbs not only the forestry ecologist Materna, but what also materially impedes the international cooperation in this respect, is, in the opinion of Czech experts, the fact that in the West the special case of the Erz Mountains is mostly represented as being typical of the overall situation. According to Materna, it is hardly possible today to distinguish between natural and man-made causes of forest damage. It is particularly difficult and requires research work of longer duration to concretely analyze the results of the intermixture of different effects: frost or drought, direct chemical emissions or long-term soil acidification in combination with each other affect forests subject to different ecological conditions. According to Jan Materna, "the expert sees the causes as being totally different and therefore as requiring entirely diverse measures for counteracting them but in the last analysis, the layman sees only the same picture: dead trees. In reality, however, forest damage and forest death are not the same thing."

For instance, in some areas of eastern Bohemia and northwest of Prague, a dying off of large stands of fir occurred as early as the middle of the 1970s. Investigations resulted in the finding that a two-year precipitation deficit was the cause. But the picture presenting itself in that case completely resembled the one presenting itself now in the Erz Mountains. In locations where the area of dying forests is reported as amounting to approximately 30,000 hectares, there are direct effects of emissions which may be compared to those of the Ruhr area. But the ecological conditions here, in the medium-altitude mountain range at a height of approximately 700 meters, are fundamentally more difficult in the particularly susceptible fir and birch-tree zone and poor soil conditions. Here, oxygen concentrations which 300 meters lower would hardly cause any damage worthy of mention are causing trees to die over entire areas.

The special situation of the Erz Mountains, which must lend itself to being the prime example for forest death, has its own historical basis. The Prague Institute for Forest Science has meanwhile made its assessments of research conducted over an extended period of time. It was as early as the turn of the century that air pollution was proved to have existed in the area surrounding Karlsbad, and analyses are available of precipitations in the 1920s. And in cases where no emission-measurement results were as yet available, one used as a basis comparative coal mining figures from which it is possible indirectly to calculate large-scale changes in the area of pollutant emission. In the course of past decades, however, there have been added a number of large power plants and chemical factories, all of which burn brown coal.

At any rate, with the aid of extensive evaluation of historical research materials, the ecology department arrived at the following findings: The worst cases of forest damage occurred wherever it was possible to prove the effects of emissions as early as prior to World War I. This means that apparently the effects of damaging influences accumulate over extended periods of time. In cases of additional new harmful effects -- and that was precisely what occurred in the case of the Erz Mountains -- it was possible to determine that forest damage caused by air pollution alone develops very slowly. Those cases of damage extending over large areas which today are referred to as dying forests develop without exception from a combination of the effects of a long-term weakening of the natural resistance powers of the forests and of short-term climatic stress phenomena. Materna made the following pertinent comment: "From meteorological data we have at certain times found in the Erz Mountains and in the Beskiden area 12-degree temperature drops to approximately minus 25 degrees. A sound forest can endure that, but not a chemically damaged one."

#### Deciduous Trees or Firs?

Whereas the cases of large-scale forest damage in the Ore Mountains are for the most part probably the result of domestically produced pollutants in combination with extreme climatic situations, damage which has occurred in certain parts of the Erz Mountains must rather be ascribed to the emissions of large power plants of the northern neighbor countries-- Poland and the German Democratic Republic. The CSSR must therefore arrange for border-transcending measures for reducing air pollution also with these socialist fraternal states, if it wants to prevent that frost and drought finish off the already damaged forests.

On the other side, in the Bohemian Forest and Altvater mountain range area, where there exists practically no industry, increasingly acid soil level measurements have been taken in recent years. Lakes and streams are also considerably more acid than they were just 20 years ago. To quote Materna, "Although we suspect that acid rain is responsible for part of this development, there also exists some natural soil acidification. In southern Bohemia we have as early as 30 years ago struggled against the acidification of the top soil and the mineral layers. For this reason we can not just unequivocally say that it must be the acid rain. But we shall continue our investigations and we shall know more in two to three years."

A most precise exploration of the causes of forest damage is decisively important in connection with the question of whether reforestation makes any sense and, if it does, with what types of trees reforestation should take place. For instance, in the Erz Mountains one has no longer dared to plant the fir trees formerly predominating there because of the still high emission volume. As a transitional cultivation measure, deciduous trees and larches were planted in order to save at least the vegetation layer. Contrary to the claims that nothing will grow again after the

forest deaths, however, even the fir trees in their state of natural rejuvenation are once more thriving so well that the foresters now find it difficult to justify their precautionary measures involving rapid deciduous-tree cultivation.

#### More Severe Penalties

The forests in the CSSR will soon be given a certain measure of relief by means of a number of nuclear power plants, which by the beginning of the 1990s will enable the energy-producing industry completely to shut down several obsolete coal-burning power plants. For a large, more recently built coal-burning power plant in northern Bohemia, a filter installation for the reduction of sulfur dioxide will soon go into operation as a large-scale pilot experiment for further similar projects.

Something that, of course, does not seem to be any different in communist countries from the situation in capitalist countries is the fact that good laws are frequently unable to prevent poor practices. The Ministry for Forestry of the CSSR therefor is presently preparing new laws which are to call not only for stricter regulations directed against air and water pollution, but for more severe sanctions as well. For, up until now, many industrial enterprises have preferred to pay relatively low fines to spending their money for expensive environmental investments.

Forestry ecologist Materna is of the opinion that "it is a fact that, in your social system, as well as in ours, environmental protection is very expensive, and the industrial managers are in a position everywhere and at all times to say that, for instance, a certain desulphurization installation for a large power plant costs 4 billion korunas. Unfortunately, however, we foresters can only make estimates. Unfortunately, one knows precisely the cost of the damage done to nature only when it has already been inflicted."

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INDIVIDUAL CONSUMER IMPACT ON EXTENDED ENERGY REPRODUCTION

East Berlin WIRTSCHAFTSWISSENSCHAFT in German No 8 Vol 32, Aug 84 pp 1152-1169

[Article by Gerhard Huber, Prof Dr of Economic Science, division chief at the Central Institute for Economic Sciences at the GDR Academy of Sciences; and Baerbel Laschke, Dr of Economics, scientific assistant at the same institute: "Energy Needs in Individual Consumption under Conditions of Intensive Extended Reproduction."]

[Text] The article deals with problems of the reproduction theory under conditions of intensification by example of energy needs in individual consumption. The theoretical point of departure is the role of individual consumption in the framework of intensive reproduction, especially with a view of the new aspects emerging for the mutual relationships of production and consumption from the transition to comprehensive intensification. The strategic requirement of achieving a higher growth rate with a consistent quantity of resources, is valid for the reproduction process as a whole. For the field of individual consumption, this implies achieving an enhanced effect in satisfying needs with a consistent quantity of final products. On the basis of energy consumption in individual consumption, the economic as well as the specifically social functions of energy utilization and the resulting basic consequences for its further development are discussed. Taking the biggest energy transformation processes as example--heating and technical consumer goods--multifarious possibilities of economizing energy are pointed out. The preconditions which have to be created within the production process are stressed. The development of the composition of individual consumption and the forms of individual consumption play a role for themselves, but their valuation from the point of view of economizing energy poses difficult problems.

The resolutions of the Seventh Session of the SED Central Committee and the 1984 national economic plan have once again reiterated that rationally dealing with all elements of production and combining the labor-saving type of reproduction with the energy and material-saving type, through a resolute utilization of scientific-technical progress, provides the decisive manner of ensuring stable economic growth. In accordance with the basic economic law of socialism, however, the valuation of economic growth cannot be measured only against the volume of extra goods and services produced—even if that is the decisive basis—but must include the effectiveness of these goods and services in consumption itself. W. Heinrichs and K. Knobloch<sup>1</sup> have correctly observed that there is a comprehensive intensification only when consumption itself has become part of it. Consumption then serves not only to satisfy demands but also to upgrade demands as a prerequisite for the future reproduction process.

Comprehensive intensification means achieving higher production effects through equal or reduced expenditures of all production elements, providing for circulation and distribution through the lowest economic outlays, and accomplishing a growing consumption effect by means of the products, services and so forth that are available. Not until intensification embraces all four phases in their interaction—a complex problem that can be coped with only through central state planning—are we addressing the target of socialist production with its feedback on production expansion.<sup>2</sup>

Producing more when resources are held at their previous level means both trimming material investments per unit of use-value and using in the production steps the excrements of production that are bound to come off. In the third volume of "Das Kapital," Marx shows that in high-scale production (massive resources allocations in the economic cycle and a developed division of labor), the use of the excrements of production becomes economically efficacious. He distinguishes there between

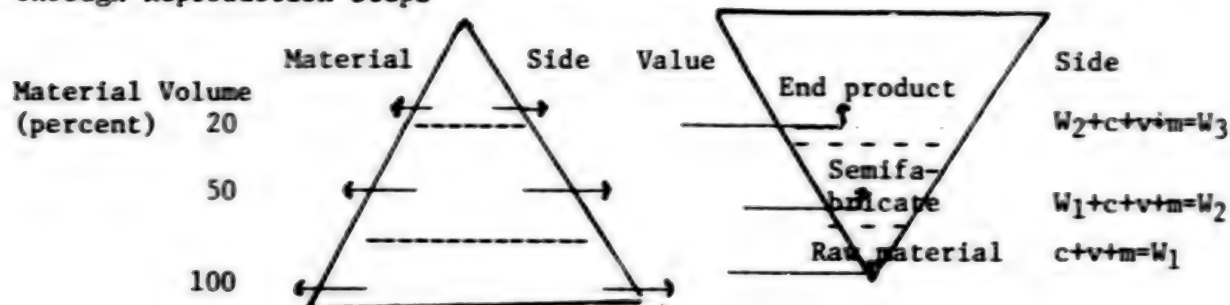
- improving the techniques for reducing production waste,
- reuse or extended use of the waste products coming off the various production steps, and the
- recirculation of products used up in terms of value or use-value but, in terms of their material, reusable again.<sup>3</sup>

The third aspect emphatically includes consumption in the considerations.

In examining the production, processing and use of various resources at subsequent steps of the reproduction process, the dimensions of the actually used materials and products become visible, but so also the reserves in the recirculation of the production excrements. In studying the food chain from the planting of the grain to its final use in consumption, it turns out that only circa 80 percent of the calories in the grain are ultimately used up in consumption. The scope and type of such losses on the various steps of production have been analyzed by K. Kutzschbauch.<sup>4</sup> In the energy economy, only between 15 and 20 percent of the calories in the primary energy are turned into effective energy.<sup>5</sup> Estimates of volumes of secondary energy that still remain unused today indicate magnitudes the partial use of which would make possible satisfying the primary energy requirements to a considerable extent. Were one to examine similar processes for lumber and other resources, results would likely be the same.

A new essential aspect of the dialectic between value and use-value appears that is of increasing importance here. The following illustration brings that out.

**Illustration: Development of Magnitude of Value and Utilization of Material Through Reproduction Steps**



In the reproduction process as a process of steps, use of material and forming values relate in inverse ratio: the higher the degree of refining, the more of a production of cumulative value and, hence, of a possible realization of value and the larger also is a whole number of processes of eliminating volumes of material (excrements). The effect of a better utilization of material and of the recirculation of material evidently is: more use-values out of the same volume of material and the distribution of the same volume of value to a larger product, which means more use-value at lower costs. Fully utilizing these growth reserves means ensuring their complete utilization throughout all the steps—from the extraction of the materials to their consumption. This observation, not last, applies to the application and use of consumer goods.

In the use of industrial consumer goods there is a physical and moral wear and tear. Often consumer goods are disposed of without being physically used up. In other words: they still have a use-value. There are two ways to counter this trend that burdens resources so much: first, by providing the consumer goods with higher use-value features, mainly through constructive solutions, maintenance, modernization and such; second, through faster and efficient recirculation, to recycle the non-consumed material components into higher use-values (the processing of secondary raw materials).

So we may summarize: The more complex the manner in which a resource is being used at the steps of its transformation (processing), the more use-value is derived from it in form of end products in production, and the greater and more permanent the effect of these use-values is in consumption itself, and the more easily they are reproducible, the more beneficial are the costs on behalf of economic growth.

At a certain level of industrialization, a society generally has the possibility to place investments either in an extensive expansion of production or in improving the conditions for using resources and products in all phases of the reproduction process. For future development, strategies for expanding production by drawing in more resources and strategies for a more rational use of materials on all levels of the production process are economic policy trends that complement each other which, as investments are always limited, means alternative decisions to some extent.

At the current scope of resources drawn into the cycle and the degree of their utilization, on the one side, and of the enormously increasing demands for their

availability, on the other, investments in economizing, recycling, elimination of loss and the like turn out to be more effective than investments in making still more resources available. It is precisely by raising the proportion of rationalization investments that those reserves are to be tapped. That does of course not preclude expanding certain productions (e.g. soft coal mining). The ratio between the expansion and saving of resources is dynamic--over the long haul, saving clearly is the major concern. Kheynman correctly points out<sup>6</sup> that the tendency to make up for losses by expanding production was a prominent aspect of extensive economic development which, not rarely, led to more rapidly still exhausting relatively cheap natural resources. That kind of an "extensive increase of efficiency" was not longer viable, partly also because of the growing environmental problems.

The ways and means of the intensification of circulation and consumption processes in their interaction with production to a large extent also control how through the product reproduction the production relations, men's conduct, their attitude toward labor and so forth, are reproduced. Human relations, men's dealing with socialist property and wealth, must not be confined to immediate production, it also must entail the way consumption deals with the products. When Lenin said that communism begins, "where plain workers in a selfless way, coping with hard labor, start to care about increased labor productivity and about safeguarding every pood of grain, coal, iron and other products,"<sup>7</sup> he probably reflected not only on human conduct in the production process per se, but also in consumption.

#### Consumption and Reproduction Process

Consumption is the object and the point of departure of the reproduction process at once. "Consumption produces production twofold, (1) in that only through consumption the product becomes a real product and (2) in that consumption creates the need for new production, i.e. the ideal, internal impulse for production, which is prerequisite to it."<sup>8</sup>

Under the conditions of intensive extended reproduction, the following considerations apply:

1. Consumption creates the need whereby it affects the production structure and induces innovation processes. Existing needs must be satisfied at a larger scope; through mass production expenses must be reduced and, when that source is exhausted, production costs must be covered by other scientific-technical means, better adapted to the resources situation. Important economic examples are having insulated buildings rather than supplying more heat energy or developing energy-saving engines. On the other hand, new needs evolve which, in part, substitute for the previous needs (e.g. more investments in personality development through education, culture and sensible leisure time activities, or more industrial consumer goods compared with foods in consumption).
2. Consumption itself can be either rational or wasteful. Through organizing distribution relations and education, society can have a great effect on the effectiveness with which means of consumption, including energy, are used in consumption.

What then is consumption's own contribution to intensification?



Production being the priority in the reproduction process, the effectiveness of consumption, for one thing, depends on the degree of intensification in the reproduction process itself. But as production intensification presupposes a certain accumulated potential in basic assets and others, enforcing intensive processes in consumption, the use of consumption as an intensification factor, depends on a certain level of need satisfaction. At present, this is marked especially by a far-reaching safeguarding of the food and clothing needs, their solution being a social problem, and by the successful implementation of the housing program, the centerpiece of the sociopolitical program.

When scientific-technical progress enters consumer goods production, new needs are constantly being evoked or those that exist are being reproduced at a higher technical level. The more new needs are aroused, however, the greater the amount of resources that requires and the more enhanced their refining becomes, all the greater then also the potentials become for making resources utilization in consumption more rational. Consumption's being increasingly pervaded with the inevitabilities of intensification then is accompanied by some dynamics in the structure of the means of consumption and by changes in the forms of consumption and the need structures.

Structural changes increasingly also determine the basic interactions between production and consumption, as worked out by Marx in his "Principles for the Critique of Political Economy." In intensive extended reproduction some new elements come to the fore:

1. The decisive role of production, as compared to consumption, more and more finds its expression in that in the production of means of consumption both meeting the demands and improving the cost/benefit ratio become equally necessary. This pertains not just to holding costs as low as possible in the manufacture of consumer goods, but also to the highest benefits for users, and the reduction of consumption expenditures, e.g. in energy. The dialectic between the one-time and the working expenses relates not only to production, but also to consumption or the interaction between the two. Higher production costs might even be justified, if the user derives multiple benefits from it in consumption.

Account has to be taken here also of that this interaction is partly determined by the forms of consumption. There are large differences in the "consumption costs" of individual and social forms of consumption.

2. Consumption, in turn, has a repercussion on production by setting conditions, through the reproduction of new needs, for innovation and a higher efficiency of the reproduction process. Similar demands must then be made to prevail as in production: full capacity use of consumer goods, appropriate use and such. That alone will justify a possibly higher expenditure because a larger need it is that can then be satisfied. Extensive expansion of production does not always compensate for losses and surplus consumption of resources in consumption. That applies especially to resources that become less available or become more expensive to extract, such as energy resources. Long-range, the chances for improving the satisfaction of needs are cut into by consumption waste.

3. The ways and means of consumption, the specific form of satisfying particular needs, is increasingly turning into an active factor that has to be used deliberately for the long-range intensification process. The interaction between

production and consumption must here become effective as a complex of economic, technical and social measures which, among other things, crystallize in quality improvements in need satisfaction, reducing consumption costs, expanding and a better use of leisure, introducing new labor-saving techniques in the nonproductive sector and in households, new forms of services, and the development of social forms of consumption. The change in the forms of consumption presupposes an adequate material-technical base for it. Here too processes like specialization, cooperation and concentration are taking place, by different criteria however, because consumption is the object of production and the use of resources therefore is not primarily a cost factor.

4. Under the conditions of intensive extended reproduction we are dealing with a higher complexity and dovetailing between material and nonmaterial processes, of production and consumption. "The larger the economic criteria are, the greater is the influence consumption has on the efficiency of the entire economy and on intensification. An accelerated development of the nonproducing sphere thus is an important condition for orienting the economic structure to efficient consumption."<sup>9</sup> The tendency for higher public allocations for consumption is to be countered by a greater efficiency of consumption itself. If the development of consumption efficiency lags behind increased production efficiency, the result is that economic growth always just serves to maintain the consumption level. The sectors that make consumption expansion possible are stunted in their growth. An equitable or even priority development of consumption efficiency as compared with a higher production efficiency is a basic requirement for overall economic dynamism.

If the essence of intensification amounts to ensuring economic growth by means of released resources, then there is no difference between production and consumption with regard to that basic demand. Saving energy and raw materials in consumption, the thrifty handling of the economic end product, contributes as much to reducing overall public expenditures as directly trimming the production consumption in production, at the same level of need satisfaction. This also means a necessary consumption adaptation to the altered reproduction conditions and resources situation without any inroads on the basic goals in the development of the advanced socialist society.

The intensification problems in consumption presented here in a general way can be demonstrated in detail by the energy consumption trend in consumption as it virtually applies to all consumption processes.

#### Consumption and Energy Requirements

Energy consumption is an expense factor in production. In consumption, however, it breaks out of this purely economic frame of reference. Here its main function is to satisfy consumer needs and must therefore be evaluated primarily by social criteria.

Economic efficiency relations are affected by whether or not they satisfy the same needs by less or more energy. Thus savings in consumption are both growth factors and savings in material production. Here energy savings are not to be held equal to reducing energy consumption at the expense of need satisfaction, as is alluded to in some bourgeois publications. The point, rather, is a more

favorable cost/benefit ratio. The point is not, for instance, to reduce motor vehicle traffic to save fuel but to develop engines that need less fuel. Yet to some extent an increasing need satisfaction also always leads to increased energy consumption.

As to the proportions between production and consumption, the producing and non-producing sectors, Marx put it this way: "A country is all the richer, the smaller its productive population is relative to the national product. A country is all the richer, the smaller its productive population is relative to the unproductive, at the same volume of products."<sup>10</sup> That to some extent also applies to the proportion of these two sectors in the consumption of used energy.

For constantly better satisfying the needs, an increasing portion of use-energy has been allocated in recent years. Of 124 GJ of energy consumed in the GDR per capita in 1981, 55 GJ per capita alone went for individual and social consumption.<sup>11</sup> That comes to an equivalent of 6.5 tons of raw soft coal per capita. At an 18-percent increase between 1975 and 1980, consumption shows the highest rate of growth in energy consumption, mainly in individual consumption. Altogether, energy consumption between 1960 and 1981 rose annually by circa 2.1 percent in the economy, but in consumption by 4 percent and, by comparison, in the producing sectors by 1.2 percent. The proportion of the nonproducing sectors in overall energy consumption thus rose from circa 28 to circa 45 percent. Households in 1981 already consumed circa 25 percent, while it had been just 15 percent in 1960. The proportion of consumption in total electrical energy consumption increased especially fast (cf. Table I).

The greater speed of energy consumption in consumption compared to production has accelerated even more in the last decade. For the whole 1970-1980 period, the proportion was an average 2.3:1, rising already, however in recent years (since 1975) to 3.1:1. Outriders in the increased consumption rate--as in other economic sectors--were highly refined forms of energy, especially electrical energy and liquid fuels. Here the GDR is following a trend that is typical of all highly developed industrial countries.

The GDR development also shows how, relative to differences in the development of needs, energy consumption shows considerable differences. In the 1960's that was mainly determined by the basic needs of the population, since 1975 the increased need has mainly been due to our increased housing construction which, in turn, brings along an energy-intensive mechanization and automation of household processes.

Table I: Proportionate Development of Electrical Energy Consumption in the Economy (in percent)

Consumer	1960	1970	1980	1982
Industry	69.3	67.6	61.4	60.3
Other Economic Sectors	16.2	14.7	17.9	18.4
Households <sup>(a)</sup>	7.0	10.3	11.7	11.8
Total <sup>(b)</sup>	92.5	92.6	91.0	90.5

(a) 1960, without consumption of agricultural households.

(b) Differences between these figures and 100 percent due to network losses and export.

Source: "Statistisches Jahrbuch der DDR 1983," Staatsverlag der DDR, Berlin, 1983, p 152.



Most energy utilization processes in individual consumption relate to creating, and the use of, housing. Energy consumption for interior heating rose twice as fast in recent years as the growth in housing. In addition then comes the energy use for transportation, ventilation and aeration, water heating, technical consumer goods and so forth. Water consumption in newly built apartments is circa twice as high as the average, fluctuating between 20 and 120 liters per person daily.<sup>12</sup> While the population's electrical energy consumption grew at the same ratio as the installation of electrical devices, the newly built apartments have an electrical energy consumption that is some 40 percent higher. The major causes for that evidently is their being outfitted with technical consumer goods above the average and the use of electrical energy in food preparation. Other factors are the new construction of public facilities in new residential areas and their improved material-technical outfitting with air conditioning, heating, ventilation and such. The granting of credits when getting married is another measure through which the use of energy-consuming consumer goods is speeded up in households.

These processes, resulting from our united economic and social policies, will continue to make high demands on energy allocations. A growing energy consumption in consumption is an inevitability inherent in the goals of socialist society. For all that, the standard of living and energy consumption must not be seen as if they depended on each other in a linear fashion. Science and technology create new conditions here too. Extrapolating energy consumption in consumption by computer brings out that extending traditional growth tendencies would be unrealistic here; the consumption proportion in economic energy use would then already rise by 70 percent up to 1990, for instance, and by nearly 90 percent up to 2000. Economizing in energy in consumption obviously must be assigned a new place value. Energy waste in the nonproducing sector is de facto a reduction in energy that could be used for productive purposes and thereby again benefit consumption.

Such a dovetailing between production and consumption over many intermediate links admits of no patent recipes for an economical and socially beneficial energy allocation to both sectors. There are relations, however, in the use-energy consumption in both sectors that best conform to the continuation of the main task with its united economic and social policies. The main job is and remains to reduce energy consumption in production. Even so, an efficiency problem at new dimensions shows up there. Higher allocations for producing energy-saving technical consumer goods that may appear less effective from the standpoint of being produced may result in high economic effects once they are being used in consumption because it might reduce the consumption of economic resources outside of production. As an example we may refer to the production and use of motor vehicles, where it is a matter of improving the input/output ratio and reducing fuel consumption as well as of reducing maintenance costs, mainly corrosion protection. As far as maintenance costs are concerned, considerable investments are being placed internationally in improved corrosion protection techniques through which annual corrosion losses may be reduced by one-fourth. That means that here the actual problem of high maintenance costs is not principally found in the working life of the motor vehicles but in solving, through properly timed investments in appropriate technologies, the conflict between constructive design and corrosion resistance on the one side and the working life, on the other, so that the costs go down.



There is a rational interchange between production and consumption, once consumption supports, through a relative reduction of its energy consumption, the efforts made in production to bring total energy consumption down and when production creates the material-technical prerequisites for less energy use in consumption through an appropriate material-technical base. From 1970 to 1981, the growth in the use of energy in consumption came to circa 50 percent of what was saved in industry, to 40 percent as far as the entire producing sector was concerned.

Ensuring such proportions is an important condition to ensure a reduction of the specific energy consumption for the economy at large and make possible an economic growth without an increase in primary energy. In this context, the energy-intensity of consumption--the ratio between use energy consumption and the consumption fund--certainly can be taken as a macroeconomic analysis parameter. It reflects the improvement of the standard of living that objectively goes hand in hand with increasing energy consumption but also shows to what extent the specific energy consumption could be brought down per unit of consumption fund, how well one accomplished, in other words, satisfying the needs through a relatively low energy consumption. On the average, this coefficient shows between 1965 and 1980, even though energy use rose faster than in consumption, a slightly dropping tendency with strong fluctuations over brief time spans. That is certainly the outcome of many factors, partly conflicting ones. The first effects of energy economizing processes become perceptible here, such as regulating interior and hot water temperatures, control and rationalization projects in centrally heated apartments in heat containment and regulating, a growing proportion of the WBS70 housing type, more favorable in its energy use, in new construction, and a higher degree of energy awareness on the part of the population. At the same time, however, the qualitatively higher needs and the changes in the need structure objectively make for a higher energy consumption.

The development of the volume and intensity of energy used in consumption leads to a problem of principle: Can consumption, by reducing its own specific energy use, compensate for the extra energy consumption needed for elevating the standard of living? Or, to put it differently: Is, in analogy with the demands made on production, more consumption possible without increased energy consumption? The elasticity coefficient, by the way it has developed, shows that such a possibility up to now did not exist, that is to say, energy consumption has had the tendency to rise faster than consumption. Now it may be assumed that such a compensation can at best come to prevail over a longer time span, in connection with making effective the energy economizing potentials that have to be tapped by means of considerable costs, and mainly in connection with finding a far-reaching solution for the housing construction program as a social problem. The, principally, extensive expansion of housing brings with it many new processes that use energy, through the fast increase in energy use in buildings and households, such as downtown transportation, street lights, or the development of social-cultural sectors, while heating plants at the same time are getting a higher grade of technical equipment and getting their capacities expanded. But then again, the concentration on substitution and modernization that will come into effect after 1985 will make possible a rational tie-up with existing energy systems up to using energy coming off the industrial enterprises.

Socialism has all it takes for taking care of such economic and scientific-technical tasks from the economic point of view and at a range that taps all efficiency potentials and conforms with social goals. Typically socialist solutions are complex measures that entail the totality of energy application processes within buildings as well as ensure, primarily so, the linkage of all energy economy measures with long-range economic, territorial and traffic plans by way of complex urban planning. "Already by selecting future lots and by the decisions made on the proportions between new construction and modernization, by concepts on a more efficient use of real estate and on closer links among work, living and recreational areas, decisions are made on whether embodied energy is to be used or newly allocated, for instance, whether heat that comes off can be used with advantage or remote heat sources can be used economically. Moreover, the location of building sites goes a long way toward deciding the energy-expensive traffic and transportation costs for the inhabitants and for industry and services."<sup>13</sup> Not last, these measures reflect the further deepening of the socialization process in this field that ensures an urban development "oriented to the intensification requirements" as an important prerequisite for "saving energy for heating, street lights and transportation."<sup>14</sup>

That approach proves a much more solid basis than controls via market situations and credit allowances, as is the case under capitalism. The forcing up of prices that is, among other things, inevitably connected with it, for rentals in case of modernization and the like is only one of the many social components of incompatibility between energy-saving technical progress and capitalist private property.

The increase in the use of energy in consumption is affected by structural changes in energy application. A typical process of it is substituting for solid fuels by other forms of use-energy (electrical energy, natural gas, remote heat). An exceedingly high growth rate for liquid fuels comes from the changes in the structure of automobiles and driving habits. The automobile has long become a device for normal use; the income of many families has risen to a level where gaining time and leisure often rate more highly than saving money, and energy as well, by using public transportation.

The increasing consumption of electrical energy reflects a trend closely tied to significant aspects of the socialist way of life. Domestic chores are made easier by electrical energy, which is playing an ever increasing role for the growing number of working women. It also is a form of energy widely used for leisure time activities and one that keeps the environment clean and such. Electrical energy keeps opening up new fields of application in consumption ensuring simple operational efforts, clean operations, steady availability and regularity. Looking at its application structure, one finds that the population's electrical energy consumption is dictated, up to some 76 percent, by household consumer goods and to circa 7 percent by leisure-time consumer goods. What was originally its main field of application, lighting, in contrast, makes up a relatively small and further diminishing proportion.

The example of the use of electrical energy in consumption also makes evident that when use-energy is allocated the cost/benefit ratio has to receive much attention. Trial balance computations show on the one hand that the full economic cost for manpower, basic assets and so forth to make available electrical energy is much higher than for other forms of use-energy. If one sets the full expenditure in gross product, basic assets and manpower per unit of end product in

electrical energy at 100, it comes to 89, 84 and 112 for heat energy and gas and to 55, 80 and 92 for soft coal briquettes. On the other hand, such use values as the degree of effective use (consumption energy=use energy), permanent operational readiness, universal applicability, the facility in being regulated, comfort, all the way to the possible use of waste products and the minor effects it has on the environment, show electrical energy to be an economically efficient form of use-energy best suited to the satisfaction of needs. And that certainly justifies the great expense.

Such considerations should be given attention also when long-range structural changes are economically assessed. If today, for instance, electrical energy cannot any longer be used for heating purposes, or only to a small extent, the use of nuclear energy for electrical energy production present an alternative for the long haul--of course also with regard to producing heat from nuclear power.

### Thrift Potentials in Consumption

Opening energy thrift potentials in consumption is highly multiform. For one thing, it becomes a matter of avoiding energy waste, especially in households, through a rational use of energy. That includes the development of a higher sense for energy as well as a deliberate respect for abiding by social standards for a rational use of energy, as set down, among other things, in the Council of Ministers resolution on rational energy use. Energy is also saved by a thrifty use of foods, clothing and the like. Secondly, production has to create the premises for reducing the energy use in consumption, mainly by that technical consumer goods are produced with a lower specific use of energy.

A rational use of energy in consumption at economically significant magnitudes is possible mainly where the consumption is especially high, in interior heating and in the technical consumer goods for hot water processing, in food processing and for other general needs (cf. Table II).

More and more apartments, notably, are getting modern heating systems,<sup>15</sup> their proportion in indoor heating now coming to 28 percent. Nearly 98 percent of new apartments are getting a modern heating system, mainly remote-control heat. In 1960, only 9 percent got that.<sup>16</sup>

Table II: Use Energy Consumption of the Population according to Processes (percent)

<u>Process</u>	<u>1970</u>	<u>1975</u>	<u>1980</u>
Interior heating	72.6	69.0	67.3
Hot water preparation	6.9	7.6	8.7
Food preparation	7.5	7.0	6.1
Other general needs	4.5	4.7	4.4
Lighting	1.0	1.0	0.9
Motor vehicle propulsion	7.5	10.7	12.5

Source: Computed from "Energieverbrauch der Bevoelkerung und ausgewaehlter nichtproduzierender Bereiche" [Energy Consumption by the Population and Selected Nonproducing Sectors], 1980, 1981, 1982, Institut fuer Energetik, Zentralstelle fuer rationelle Energieanwendung.



Comfortable living (less work and relatively clean heating systems) is an important part of the socialist life style. Making it prevail means making solutions the people like cheaper. Better quality then does not necessarily mean that it must cost more. Reserves can be found in the thermal quality of insulation, the outside temperature controlled heating plants, the structural geometry of the buildings, the window panes, the proportion of single dwellings and row-houses and other things like that. Merely by properly operating and regulating remote-control heat installations, for instance, 25 to 30 percent of the energy can be saved, an equivalent of 1.5 million tons of raw soft coal per year.<sup>17</sup> Through processing insulation materials according to specifications, 8 to 15 percent of energy can be saved without any extra economic expenditures. In part the actual heat insulation comes down to be up to 50 percent lower than what had been projected.<sup>18</sup>

Economizing opportunities also are found in the structural changes for the heating systems. However, while it made economic sense to reintroduce more oven heating, because it saves energy relatively quickly (not having to heat all rooms and heating only once a day), it yet could become detrimental for the living conditions, for the environment and such. As in the use of electric energy for indoor heating, there are alternatives here also, by using heat-power coupling, industrial waste heat and getting remote-control heat out of nuclear energy. One is going to use in the future also such qualitatively new forms of indoor heating as floor heating, the use of heat pumps, which have shown themselves to be more effective than are traditional heating systems.

Significant economizing potentials are obtainable mainly from the use of science and technology. Novel and effective insulation materials, energy economy solutions for vitrification, further developed thermostats with improved controls, good insulation and complete control circuits for controlling facades and recycling heat are some examples. Internationally, there are already systems which through programmed control and the use of microprocessors facilitate heat energy savings of between 10 and 30 percent of the needs thus far.

Using such reserves requires appropriate material and financial allocations to build the necessary capacities, produce or import the materials and do the installing. That also requires much energy.

Such requirements once again bring out the new proportion of magnitudes referred to above between one-time and running expenditures. The energy needed to heat an apartment when it has to be heated surpasses the energy embodied in the construction materials by multiples. An example from Sweden has been reported in the literature which shows for a 5-story apartment building used for 40 years that of the consumption of fuel and energy not even 10 percent goes to the building but more than 90 percent goes for heating during use. It is quite certain that the proportions will come to similar magnitudes in the GDR. This turns our having to optimize the proportion between one-time and running energy expenditure into a new task in our improving our energy economy.

The economic effect of energy economy measures thus, apart from the direct reduction in energy consumption, becomes partly dependent on the investment recovery period, the running expenses and the cumulative energy savings from the buildings' life-span. Under certain circumstances, through solutions which today call for relatively high investments, and a high energy share, a greater energy economy effect is achieved, due to a briefer amortization period, a long life-span and the like, than by measures limited in time and leading only to small or medium energy savings.

These complex interconnections also place higher demands on the system of management and planning, supervision and economic cost accounting. Complex decisions have to be made that will meet the economic requirements as much as those of the energy economy. More construction investments would contradict the economic interests in this field; in fact, the assignment is to bring construction allocations down at any cost. On the other hand, again, it may also lead to extremely positive economic consequences. The point is that economic stimuli for construction have to be geared to economic interests.

What is referred to as technical consumer goods in the household is, in principle, much like it in terms of reproduction but has a different slant in technical-economic terms. Up to three-fourths of the energy consumption in households are already affected by it. The increasing electric energy consumption in households has in the last few years been caused mainly by the rapid increase in energy-intensive large accessories such as refrigerators, freezers, water heaters, washing machines and electric ranges (cf. Table III).

Though it was possible to reduce specific energy consumption steadily, the tendency itself will continue because more energy-intensive equipment will be added (with the exception of refrigerators). It does not look as if that trend has been satiated. New acquisitions as well as, in parallel with it, the replacements for worn-out consumer goods in part still depend on equipment that has a higher specific energy consumption.

Increased electric energy consumption (through running connections) as a presupposition for a higher performance of the new equipment is however by no means technically an objectively necessary tendency. That actually prevents economizing potentials by means of upgrading. The absolute energy use in individual consumption caused by technical consumer goods does depend, to be sure, on how much and how well the user makes use of the equipment, yet it is in the production itself where the decisive energy economy effects are programmed. The main link in the chain, even for consumer goods, lies in the application of new working principles (e.g. permanent field engines, refrigeration and insulation materials, coupling of heating and refrigeration techniques, microelectronic controls, heating by circulating air). The actually feasible effect of saving energy through technical modifications, however, is still influenced by such factors as running connections, the structure of the energy consuming consumer goods, the necessary complementary goods and their energy consumption, purposeful use and similar things.

Table III: Trend in Equipping<sup>(a)</sup> Households with Energy-intensive Consumer Goods and Electric Energy Consumption of Households (1970=100 percent)

	1974	1980	1982
1. Trend in installing			
-- Refrigerators	131	157	160
--Freezers	463	1,500	2,500
--Electric ranges	131	167	167
--Water heaters	141	243	277
--Partly automated washing machines	146	233	302
--Fully automated washing machines	233	967	1,333
2. Household electric energy consumption trend	111	169	177

(a) Number of households among 100 that have at least one such consumer good.  
Source: "Statistisches Jahrbuch der DDR 1983," op. cit., p 152; opinion poll by Institut fuer Marktforschung; data from repeat polls.

The GDR's economic strategy referring to consumer goods production as a key element wants not only more products, but mainly such of a high use-value, the expenditure and use parameters of which conform to the changed reproduction conditions.

The conditions in the GDR are such that the introduction of new energy-saving generations of devices goes to first-time and new as well as replacement items. Economizing greatly depends on the innovation rate. When it is about 1 percent annually, i.e. when 1 percent of the households gets one such consumer good at least annually, the households can cut back scarcely 1 percent of their annual electric energy consumption. For more economizing we need at least 3 percent.

There are at least two conditions on which the economic effectiveness of the innovation rate depends: First, the production capacities must be there for more rapidly satisfying the growing needs; second, such innovation brings with it a premature moral wear and tear of material and embodied energy. On the one side, product quality and the working life and reliability are important components in saving energy in production; on the other side, innovation processes bring it about that products are very soon replaced by others with more efficient energy parameters. This connection makes evident that this kind of exchange can cause a waste in material energy and labor--i.e. of the total labor used in production. A typical expression of it is the throw-away ideology favored by technology and production under capitalism. For the socialist strategy, on the other hand, most decisive criteria for a centrally planned technical policy are such principles as recycling, modernization, regeneration of whole groups of components and elements, the use of secondary raw materials and the like.

The growing inventory of privately owned cars is reflected by the population's increased fuel consumption. Moreover, in recent years, an increased specific consumption per 100 km and more driving every year have raised the fuel consumption. If we accomplish reducing by 2 liters per 100 km the average current consumption, the GDR could save circa 500 million liter of carburetor fuel per year, one-fourth of what is currently being used (not counting further increases of private automobiles).

#### Structural Modifications in Consumption

As most of the social end product goes to food and clothing, those complexes of needs claim most of the energy (energy costs) of course. But if one computes the energy intensity per need complex (costs in primary energy per 100 units of end products in food, clothing and so forth) as to total costs, one finds that the energy intensity for food and clothing lies below the average of consumption and that for housing, education and culture above it, even though in terms of volume it is food and clothing that claim the overwhelming part of consumption.

Such computations and comparisons do not reveal the complete picture, of course, because the methods in data processing are complicated. Yet they supply us still, it seems to us, with a significant insight into future developments: The structural modifications in consumption becoming visible together with the improvements in the material and cultural standard of living, marked, among other things, by a gradually increasing proportion of the needs for housing, education, transportation and communication, indicate under this aspect no trend toward a reduced consumption of specific energy. Scientific-technical progress alone can compensate for the higher energy intensity that goes with it.



Again another effect comes from the structural shift in the consumption of foods on the one side and industrial consumer goods, on the other. Analyses of the interlocking balances show that the full economic specific allocation in primary resources is much higher for making foods available than industrial consumer goods. It follows from it that the faster consumption growth of industrial consumer goods in comparison with foods relieves at least relatively the expenditure in primary resources.

Extremely intricate also is, in energy economy terms, the assessment of advantages and disadvantages in the various forms of consumption. And here one cannot look at moving from individual to social solutions exclusively from the standpoint of economic efficiency, let alone the use of energy, however much importance accrues to them. Initial analyses of the energy intensity in both forms of consumption demonstrate that different effects emerge from them in terms of energy requirements, the use-energy structure and the requisite economic expense involved. More than half of the use-energy requirements in consumption goes to individual consumption. Social consumption requires mainly electrical energy and liquid fuels.

What with all the difficulties in a long-term valuation of the energy intensity of individual and social consumption, one important fact still becomes apparent: Under the present forms and material-technical conditions of energy allocations, they are more effective in social than in individual consumption. The concentrated use of energy in larger processes (laundries, recreation, public transportation and so forth) and the complex utilization of scientific-technical progress allow us to tap and affect managerially the economizing potentials more rapidly and at noteworthy dimensions. In particular, that had a most positive effect in recent years on the development of energy intensity in consumption; and so we got a consumption growth while energy use dropped in absolute figures.

However, one must not think of the distinction made here between individual and social consumption as if it were meant as alternatives. In many countries, the GDR included, providing households with technical consumer goods is an economic reality. Economic deliberations about the future development of both sectors in this context merely serve to indicate at what rate and in which structure both individual and social consumption is to be advanced further. So it does not become a matter of developing one form of consumption at the expense of the other, but a matter of their reciprocal complementation. The proportionate development as between individual and social consumption thus is not only to be valued from the point of view of economizing energy, but above all also from that of the development of the socialist way of life.

To "socialize" as many activities in individual households as possible, without discriminating, to achieve a higher degree of rationalization, has posed difficult problems in practice. Individual work in households, like food preparation, cleaning, sewing, small repairs and so forth, is of as much social importance, at the proper scale, as are the social forms of need satisfaction. Moreover, some activities turning into hobbies or things like that are already parts of meaningful leisure time activities. That, to be sure, calls for a relevant material-technical base, which is indeed being developed more and more (e.g. the manufacture of household gadgets).

Shifts in the social sector are going to concentrate on activities cutting back the margin for personality development or providing but small effects on an individual basis. By no means will that always only be the energy-intensive household processes. In various areas there will always have to be both individual and social forms in equitable terms, while in others only as long as social consumption cannot ensure need satisfaction to the same extent as individual consumption. This also is one of the reasons why many social forms of need satisfaction come to assert themselves so very slowly.

Hence, the energy problem stands out in its technical, economic and social dimensions in consumption. The more energy is used in that sector--its increasing proportion in total consumption being obvious--the more complex must be the solutions in enforcing rational energy use. Production deserves its primacy here too. Energy-saving technology in production and new generations of energy-saving consumer goods and a housing and social construction oriented to thrifty energy use as the chief agent for economizing energy in the technical progress in this area can and should however be supplemented by legal regulations, norms and other measures such as optimization rules on interior heat, speed limits and the like, which again makes savings possible--without diminishing the quality of need satisfaction.

Increasing importance is attached furthermore to education and culture, to handling energy with awareness. While capitalism aids and abets a primitive promotion, bent on profits, for energy waste, socialism can and must create a system of education and training oriented to rational energy utilization, supported by effective promotion. In this way and in ways much like it, everyone must be made aware that it not only saves money and costs to economize energy, but that this also expresses the attitude toward one's own environment and to society's fundamental conditions of life and existence.

#### FOOTNOTES

1. Cf. W. Heinrichs/G. Knobloch, "Consumption Means Production and Transition to Intensive Extended Reproduction--Theoretical Problems," *WIRTSCHAFTS-WISSENSCHAFT*, No 7, 1983.
2. To capitalists, production has met its purpose when the merchandise is sold and the profit is reaped. The magnitude of the consumption effect is something they care little about. And worse: the lower it is, the faster is the demand for products and services reproduced.
3. C. K. Marx/F. Engels, "Werke" [Works], Dietz publishing house, Berlin, 1956-1968, Vol 25, pp 87 ff.
4. Cf. Authors' Collective, "Rohstoff und Energie im gesellschaftlichen Reproduktionsprozess und ihr Wechselverhaeltnis zur materiell-technischen Basis" [Raw Material and Energy in the Social Reproduction Process and Its Interaction with the Material-Technical Base], Akademie Verlag, Berlin, 1978 pp 80 ff.
5. Ibid., p 42.
6. Cf. Kheynman, "Structural and Organizational Conditions for Increasing the Efficiency of Social Production," *PLANNOVOE KHOZYAISTVO*, No 7, 1983 (in Russian).



7. V. I. Lenin, "Werke," Dietz publishing house, Berlin, 1955-1965, Vol 29, p. 417.
8. K. Marx, "Principles of the Critique of Political Economy," Dietz publishing house, Berlin, 1974, p 13.
9. V. Pavlyushenko, "The Effectiveness of Consumption and the Intensification of Social Production," SOWJETWISSENSCHAFT--GESELLSCHAFTSWISSENSCHAFTLICHE BEITRAEGE, No 5, 1982, p 714.
10. K. Marx/F. Engels, "Werke," Vol 26.1, p 199.
11. Cf. J. Jungnickel, "Rational Energy Use--A Requirement of Our Time," ENERGIEANWENDUNG, No 2, 1980, p 43.
12. Ibid., p 44.
13. W. Teuber, "Building While Economizing Energy Reduces Heat Requirements," DIE WIRTSCHAFT, No 4, 1982, p 6.
14. "Principles for the Socialist Development of Urban Construction and Architecture in the GDR--Resolution of the SED Central Committee Politburo and the GDR Council of Ministers," NEUES DEUTSCHLAND, 29/30 May 1982, p 9.
15. Night storage, gas and apartment heating and remote-control heat.
16. Cf. "Statistisches Jahrbuch der DDR 1983," Staatsverlag der DDR, Berlin, 1983, p 168.
17. Cf. "Allgemeine und energiewirtschaftliche Kennzahlen des Bereichs Bevoelkerung im Zeitraum bis 1975" [General and Energy Economy Parameters in the Population Sector in the Period up to 1975]. Institut fuer Energetik, Leipzig, p 30.
18. Cf. Gronau/Girlich, "Heat Energy Savings in Housing Construction," Conference Report "Planung staedttischer Energiesysteme und die rationelle Energieanwendung" [The Planning of Urban Energy Systems and the Rational Use of Energy].

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PRODUCTION OF AUTOMATION EQUIPMENT INITIATED IN COMBINES

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[Article by Manfred Wenzel, Dr of Economic Science, Lecturer in Economics at the Party Institute "Karl Marx" with the Central Committee of the SED: "High-Performance Fabrication of Means of Rationalization Produces a Rapid Growth of Effectiveness in Socialist Trusts"]

[Text] The paper proceeds from the perception that the rapid development of scientific-technological progress calls for the full control of innovative processes with respect to products and technologies. In this context, the fabrication of means of rationalization is increasingly proving to be the pace-setting factor for the broad and fast transfer of new products from research and development into fabrication, this being instrumental to the comprehensive modernization of existing plant and equipment as well as to the improvement of working and living conditions. The paper points out ways and means of further enhancing the impact of the fabrication of means of rationalization. In this connection, the significance of setting up efficient factories dedicated to the fabrication of means of rationalization within trusts is stressed. Qualitatively new approaches in the fabrication of means of rationalization are perceived in the intensification of the fabrication of means of rationalization itself. The point at issue in this connection is to create sufficient capacities for construction, production, and technology or, resp., to expand existing capacities. In the specialized factories for means of rationalization within large socialist trusts, the transition to the fabrication of automation equipment and the continued development of the fabrication of means of rationalization to a complex center of rationalization within the trusts is proving to be a qualitative developmental trend.

The GDR economy is successfully pursuing the course of intensification, charted by the 10th SED Congress. The seventh session of the SED Central Committee observed that the "GDR, with its intellectual potentials and material resources, is in the position to bring about the needed performance increase for pursuing the main task course also in the future with success."<sup>1</sup> The SED refers all party organizations and economic managements to assuming a new phase in the implementation of the economic strategy. A further increasing role attaches in this new phase to the fabrication of means of rationalization by the combines and enterprises themselves.

Remarkable advances have been achieved during recent years in developing the industrial fabrication of means of rationalization. Without implementing this basic orientation of the SED's economic strategy, as was pointed out at the Leipzig seminar the SED Central Committee secretariat sponsored for the general directors and the Central Committee party organizations in March 1984, it would have been impossible to accomplish such significant successes in reducing material and energy consumption, increasing labor productivity and efficiency, and improving the working people's material working and living conditions. Through the fabrication of means of rationalization, a significant economic rationalization potential has been generated in the combines.<sup>2</sup>

Already our performance growth relies, at considerable magnitudes, on advances in particular in GDR industrial fabrication of its own. Its own fabrication of means of rationalization in the sector of the industrial ministries in 1983 rose by 22.6 percent over what was accomplished in 1982, growing faster than overall production and reaching a volume of M 4.2 billion. Some 23 percent of the investments in plant and equipment are due to its own fabrication of means of rationalization.<sup>3</sup> There are already more than 71,500 skilled workers engaged in the sectors that fabricate means of rationalization. These figures attest to the quantitative importance of fabricating means of rationalization oneself. The qualitative significance is still much greater.<sup>4</sup> The performance volume and level in the fabrication of means of rationalization decisively affect the modernization and reconstruction process for existing production equipment, the speed in which scientific-technological progress is implemented, expressed through modern technologies and procedures, and the improvements in the material working conditions for many working people.

Means of rationalization are being fabricated in the GDR economy today at a broad scale and in all sectors. They include machines, installations and equipment (industrial products and material achievements industrial in type) leading to a provable efficiency growth through increased labor productivity, reduced prime costs, cutbacks in jobs, gaining new manpower, improving the working people's working and living conditions, and higher-grade products in the production process. Fabricating means of rationalization oneself means, by definition, the production of such means of rationalization by the combines and enterprises apart from their branch-specific production programs and through their own labor. In essence, fabricating means of rationalization oneself means that users produce their special working tools.

In the capitalist economy, the reasons for their own fabrication are primarily profit-oriented and are derived from economic utility.<sup>5</sup> An analysis of contemporary capitalist practice in this field also shows, however, that such a

question as protecting the procedural technical know-how of the user (and thus, of course, ensuring high profits) plays an increasing role in the users' making their working tools themselves. When capitalist trusts and corporations make such investment commodities themselves it also becomes a measure at diversification. That expresses the forms of modern competition, the search for optimum conditions for capital utilization, and the need for risk distribution.

The SED's orientation to the combines' and enterprises' own fabrication of means of rationalization proceeds from objective developmental processes in material production and from requirements of principle for the further development of the productive forces and the socialist production relations in the developed socialist society. The international tempo of scientific-technological progress requires enforcing the unity of product and procedural development. To those who develop the products this means offering together with new product designs the most rational production procedures. Only new products and most modern procedures can ensure the necessary pace in implementing the economic strategy. An efficient fabrication of means of rationalization in a combine is a good catalyst, as one knows, for a rapid and successful implementation of innovative technologies and procedures. Intensification also demands creating the necessary prerequisites for applying technological progress through modernizing and reconstructing the existing production equipment. What matters here is to carry out the modernization of whole production sectors and process levels by means of one's own fabrication of means of rationalization. This way then, the whole technology is raised onto a new and higher level while available machinery and equipment are utilized to a large extent. Fabricating tailor-made means of rationalization thus becomes a crucial basis for implementing the lines of intensification in each combine. It also is important for the cohesiveness of the reproduction process in each combine. The fabrication of means of rationalization helps each enterprise create the prerequisites for meeting its economic tasks while simultaneously improving the working people's working and living conditions more and more.

Table: Fabrication of Means of Rationalization in the Sector of the Industrial Ministries

<u>Year</u>	<u>Million Marks</u>	<u>Percentage Increase</u>	<u>Average Annual Percentage Increase</u>
1975	732	100	
1976	924	126	1976 - 1980
1977	1,241	169	
1978	1,618	221	27 percent
1979	2,001	273	
1980	2,367	323	
1981	2,915	398	Plan 1981-1985
1982	3,429	468	15 percent
1983	4,204	574	effective 1981-1984
1984(a)	5,255 (Plan)	718	22 percent

(a) Own computation based on 1984 national economic plan. Source: "Statistisches Jahrbuch der DDR 1983," Staatsverlag der DDR, Berlin, 1983, p 150.



## Relying on One's Own Capacity

The seventh session of the SED Central Committee has made clear once again that it is a decisive managerial task for every general director of a combine that his combine develops and builds its special working tools itself. In the more advanced combines developing the fabrication of means of rationalization is a component of the long-term intensification conception.<sup>6</sup> Prior to the Eighth SED Congress there were but few combines and enterprises with a notable production capacity for fabricating means of rationalization. Today all industrial and construction combines and most of the combine enterprises are fabricating the means of rationalization to carry out their rationalization strategy. Capacities for doing so exist even in many medium and small enterprises, even if not each of them can in fact set up a fabrication of means of rationalization. For that, the territorial rationalization plan should come up with still more concrete measures for rationalization assistance.

An analysis of the trend of the combines and enterprises under the industrial ministries making their own means of rationalization reminds us of some experiences and developmental problems:

--At an average annual growth rate of 27 percent between 1976 and 1980, their own fabrication of means of rationalization in the industrial ministries sector has proven itself extremely dynamic. The growth rate between 1981 and 1984, relying on a noticeably higher level, quantitatively and qualitatively, at 22 percent, likewise exceeds greatly industrial production growth as such. The increase of their own fabrication of branch-specific means of rationalization, of 25 percent in the 1984 national economic plan, further boosts that tendency so that the original targets for 1981-1985 were visibly surpassed in 1984 already in the industrial ministries sector. That is fully confirmed by the remark made at the eighth session of the SED Central Committee, that the achievements in the fabrication of means of production had risen by nearly 30 percent by the end of April 1984. That adds constant weight to the fabrication of means of rationalization within the scope of intensification.<sup>7</sup> The high and rising growth rates show the great need for branch and enterprise-specific working tools for infusing the production machinery with the latest technology.

--The growth rate in the fabrication of means of rationalization under the various ministerial sectors (analogous to the growth rate in the fabrication of the means of rationalization in the various combines) still suggests great disparities and, by that, performance reserves. While the width of variations in the annual average growth rates of the fabrication of means of rationalization under the ministries still came to 27 percentage points between 1976 and 1980, in 1981 and 1982 it is down to 8 percentage points while the distribution has become more equitable. Similar findings apply to the technical-economic level of the fabrication of the means of rationalization.

--The combines' efficiency in fabricating their own means of rationalization can be further enhanced. Ideological attitudes, wanting to fabricate means of rationalization at any cost, or accepting what comes up because nothing else is there call for combative positions to be taken by the party organizations concerned. Managers must see to it that the fabrication of means of rationalization of their enterprise stands up to comparable production enterprises in terms of qualities, production schedules and prime costs (where a richer production support for enterprises in the metal-processing industry, electrical engineering and electronics and metallurgy would crystallize into efficiency boosts). Especially in import substitution many producers of means of rationalization no longer need worry about comparing their costs with the prices in import bids.

The rational, division of labor, organization in the GDR industrial combines' fabricating their own means of rationalization encourages performance growth and efficiency. Means of rationalization are today being fabricated under highly diverse organizational forms, due to differences in starting conditions.

Combines with prominent maintenance capacities, as in coal and energy and basic chemistry, have because of that capacity a favorable start for making their own means of rationalization. As it is precisely the rationalization of such maintenance that offers a broad field to the use of such means of rationalization, it makes sense to place the fabrication of means of rationalization in that sector. In machine building and electrical engineering and electronics one can normally use the extant capacities for machine tools and machinery materials (means of manufacturing), of prototype construction and of some of the maintenance as well for a starting point in the fabrication of their own means of rationalization. The initial situation is totally different in the combines and enterprises of the light industry, glass and ceramics, the food industry and, particularly, the bezirk-managed industry. They in general hardly have any suitable capacities in metal processing that they could use to fabricate their own means of rationalization. Moreover, they normally combine many different smaller and medium-size enterprises. Capacities for fabricating means of rationalization have to be formed there from scratch.

The requirement issued by the seventh session of the SED Central Committee, that the fabrication of means of rationalization "must continue to grow much faster than overall production,"<sup>8</sup> places higher demands on the division of labor organization in the fabrication of means of rationalization in the combines. The experiences in successful combines clearly indicate that a variety of approaches are being taken there in the production organization for fabricating means of rationalization, which complement each other. Essential advantages and effects of setting up combines are realized through them.

A considerable percentage of the combine enterprises under the industrial ministries have organized their own fabrication of means of rationalization within the scope of the extant structural units of maintenance, means of manufacturing, machine tools construction, the apprentice workshop and within the framework of the major production line. These organizational forms are widespread in the raw materials industry (except for ore mining, metallurgy and potash). One must not judge that practice routinely. There are many experiences that are pointing out that in those enterprises, depending on the situation and the experience, intermittent neglect for either maintenance tasks or the fabrication of means of rationalization, for instance, virtually "inheres" in the system. The fact is that capacities in manufacture, design and project planning which, according to the plan, are meant for the fabrication of means of rationalization are time and time again being used, in a manner "alien to their purpose," for maintenance measures, the construction of means of manufacture, and the production of spare parts. However, it makes sense to mention in this context that preventative maintenance according to plan and general repairs are rationalization measures according to plan of which an increasingly better use has to be made for the modernization and reconstruction of extant production equipment. No "cleancut division" between maintenance/repair and rationalization (by means of the fabrication of means of rationalization) therefore appears absolutely necessary.

One way in which production organization should deal with the fabrication of means of rationalization would be to speed up the development of specific capacities as such so that one can better meet the requirements referred to for the own fabrication of means of rationalization, repair, production of the means of manufacture, the implementation of innovator proposals and so forth. The advantage of such an approach is found in the chance to concentrate these capacities and means on that aid to production on the whole, in the relatively high flexibility for assigning all available capacities, in an opportunity for providing more specialized and high-performance equipment and, finally, in a higher capacity utilization of the time fund. For this to function well one needs a high planning discipline and a better organization of the planning, accounting, material procurement and industrial organization in these sectors.

For the overall concept for fabricating the means of rationalization oneself, it is important to think of special departments, enterprises and so forth in the combine enterprises: it becomes a matter of one's own fabrication of working tools tailor-made in terms of plant technology (including the services of enterprise robots, especially also with regard to the periphery), taking care of the demands raised by the industrial innovator movement, taking care of the tasks raised by the division of labor, according to plan, in the combine's fabrication of means of rationalization, fulfilling the commitments assumed under territorial rationalization.

Often it is easier to build up enterprise capacities for the fabrication of means of rationalization in specialized structural units than through central capacities. Getting manpower in at a means of rationalization department in a combine enterprise is less complicated than at centralized locations. Expanding manpower according to plan here also is possible only from internal sources ; manpower must be recruited after the model of the Schwedt Initiative from within the combine enterprise itself. With intensification growing stronger, more enterprises are going to build up capacities for fabricating means of rationalization within special structural units. Right now, circa 70 percent of the combine enterprises have their own structural units of that sort. Bezirk-managed combines should carry on resolutely in setting up fabrication capacities for means of rationalization in all combines. Two ways of doing this turn out to be most advantageous. One way is to set up central capacities in the bezirk-managed combines (in the form of efficient departments in a combine enterprise, at times even in the form of smaller specialized combine enterprises). The other way would be to develop the fabrication of means of rationalization in an enterprise in charge of a given product group so that one can this way lend help and assistance to the enterprises handling that product group for their rationalization.

Of more and more crucial importance for an efficient fabrication of means of rationalization, it turns out, is the formation and strengthening of central capacities for the fabrication of means of rationalization in every combine. Then an independent combine enterprise must be made the central fabricator of means of rationalization in the combine. Such central means of rationalization enterprises in a combine and a prudent management organization for them are growth and efficiency potentials that have evolved only after the combines were formed. A growing number of combines logically are pursuing this step of developing efficient machine building enterprises within the combine. On



behalf of high productivity and efficiency, it is necessary to develop within the combines more efficient combine enterprises and a fabrication of means of rationalization they themselves economically account for. By the gradual formation and consolidation of such centralized enterprises that are designing and building special working tools, a number of advantages and effects of combine formation are brought to realization:

--An efficient centralized capacity for means of rationalization greatly helps form a relatively cohesive reproduction process in the combine. Such a combine becomes more able to prepare and implement complex rationalization tasks in their unity of introducing new procedures and technologies, reconstructing and modernizing available production equipment, perfecting production organization and improving the working conditions.

--Relying on combat strategy coordination in rationalization, the capacity of the entire combine can be concentrated on selected major rationalization tasks. Without support from the combine potential, the tasks in complex rationalization normally go beyond the potentials of any given enterprise. The support by a central enterprise fabricating the means of rationalization given the complex rationalization in one combine enterprise thus becomes an important economic and also political-ideological factor for forming and deepening uniform combine ideas. Thereby the fabrication of means of rationalization contributes more actively and better to using the advantages of the combine and, hence, to strengthening the socialist production relations.

--The concentration of the production of branch-specific means of rationalization in one specialized combine-specific combine enterprise makes possible using the advantages of concentration such as a transition to a (small) series production, an enhanced technical-technological capability in the fabrication of means of rationalization in design and manufacture, greater efficiency in the fabrication of means of rationalization and so forth.

--Through an efficient centralized producer of means of rationalization in the combine there will gradually form a management center (management enterprise) for fabricating the means of rationalization throughout the entire combine. In essence, assuming such managerial functions, as assigned by the general director (the delegating of rights and duties), is a specific form of the products group work in the field of fabricating the means of rationalization within one combine.

These centralized enterprises fabricating the means of rationalization should gradually assume the following tasks:

--Coordinating, balancing and planning the means of rationalization production program in the combine (drafting decision proposals for the general director on the means of rationalization fabrication plan);

--preparing long-range managerial documents for the development and fabrication of means of rationalization in the combine, including the development of the division of labor processes in concentration, specialization, division of labor and cooperation for the means of rationalization, for the general director;

--drafting streamlined combine guidelines for the development, designing, project planning, fabrication and assembly of their own means of rationalization and for their price setting, financing, handling, accounting and so forth;

--development, project planning and design of complicated means of rationalization for a decentralized fabrication of the means of rationalization in the combine enterprises, including the research needed for that; and

--providing design and technological data for the replication of tested applications of means of rationalization (data bank, means of rationalization catalogue and the like).



--The managerial function should include the assumption of cooperation with the fabrication of means of rationalization in the ministerial sector and the management and coordination of international cooperation in this field with the USSR and the other CEMA countries.

The further deepening of the division of labor process in fabricating means of rationalization oneself harbors a great performance reserve. A potential-increasing and efficiency-enhancing factor becomes effective thereby. For the political-ideological work that means making all involved perfectly aware of that through a well planned division of labor the overall capacity for fabricating means of rationalization within the scope of the combine and its efficiency can be raised without any large investments. The advantage from having formed the combines must be used more purposefully and boldly, and through a division of labor organization for the fabrication of means of rationalization in the combines all possibilities must be tapped for efficient and effective specialization and cooperation within a combine and also, from the territorial vantage point, among the combines. The existing division of labor in having the combines fabricate their own means of rationalization can be further deepened. The "elemental" division of labor, as it were, in branch-specific means of rationalization, which is still used in most combine enterprises, and in enterprise-specific means of rationalization, does not yet sufficiently tap the reserves inherent in division of labor in this field. By picking up production experiences that are available, a project-specific division of labor is possible (e.g. means of rationalization for the shaping by machine tools with and without the removal of chips, for jointer processes, welding processes, transportation, cargo-handling and storage processes). In a broader field of operations for certain means of rationalization a component-oriented division of labor is possible and beneficial, as for instance also in robot and robot periphery manufacture that leads to a more effective small series production that can in part be correlated with the main production line (as in enterprises of the metal processing industry). The economic advantages in the fabrication of means of rationalization should be brought out more: setting up long-range cooperation relations for materials and ancillary fabricates, the stabilization of the production program, reducing expenses in preparing the fabrication of the means of rationalization (especially in the present bottlenecks in design and project planning), a higher technical-economic level of the means of rationalization fabricated, a higher labor productivity in the fabrication of means of rationalization, reduced prime costs and, thus, increased efficiency through one's own fabrication of means of rationalization.

#### Higher Efficiency in the Fabrication of Means of Rationalization Mainly by Way of Intensification

The performance growth that is being enhanced by the dynamics in scientific-technological progress and its broad economic and social use in the economy impose still further tasks on the fabrication of the means of rationalization as well. This essentially amounts to connecting the further development in the fabrication of the means of rationalization with the intensification of the fabrication of the means of rationalization itself. A better use made of the available potentials in the fabrication of the means of rationalization is an essential source for strengthening the combines' reproduction capacity. In looking at the differences that necessarily exist here, one will have to tackle a number of developmental tasks.

Here comes, first and foremost, improving the efficiency of the fabrication of the means of rationalization by extending its capacities for design, project planning and technology. In seeking to achieve scientific-technological top standards for the products, one's own fabrication of the means of rationalization must not be left aside. Also to the fabrication of means of rationalization applies the task "to establish the most effective form for combining, at an optimum, in science and production, the R&D-development-rationalization-fabrication-sales cycle."<sup>9</sup> It would be tough to provide the scientific-technological leads needed for that without an adequate science potential of one's own, without one's own R&D capacities and own designers and project planners. The implementation of the demand raised at the fifth session of the SED Central Committee, to strengthen "the fabrication of the means of rationalization by their own scientific-technological design and project planning groups,"<sup>10</sup> becomes a highly relevant task to some combines and enterprises. Dealing with this is especially complicated for the combines outside the branches of machine construction and of electrical engineering, electronics and equipment construction and for the newly formed bezirk-managed combines. For those combines and enterprises, the first and foremost tasks are: setting up appropriate and adequate capacities for the design, project planning and technology for the fabrication of the means of rationalization or a further expansion of those capacities; and setting up their own groups for the design and project planning in the fabrication of the means of rationalization or their further development.

How to get there mainly lies in using the Schwedt Initiative in the design and project planning departments in combines and combine enterprises and a purposeful delegating for training of younger specialists as designers, project planners, technologists and so forth to the colleges and technical schools. The revamping of the training programs for future engineers is certainly going to help a lot in this.<sup>11</sup> For the sake of rapidly solving these tasks, all further opportunities and reserves must be used in tapping design and project planning capacities for fabricating the means of rationalization. Useful reserves can be found in reducing design and project planning costs for the means of rationalization by more broadly using norms and standardizations, by resorting to material sample selections and so forth. Design costs can be trimmed, and the transfer periods can be curtailed by changing from compact construction to a modular construction of the means of rationalization. Prefabrication and catalogues can alleviate the construction capacity. Reuse and replication projects for proven design solutions will avoid bottlenecks in design and project planning.

It has been found beneficial to put together temporary design collectives where designers of all design trades in the fabrication of means of rationalization itself, of other construction sectors and of the future areas of application work together in designing and project planning for means of rationalization. More attention should be given to contractually ensuring design and project planning services for the means of rationalization within the framework of the work done by the Chamber of Technology, signing new contracts in this field and orienting the MDM [Fair of the Masters of Tomorrow] movement toward the design of means of rationalization. Interesting initiatives, such as that of the engineering school for machine building and electrical engineering in Magdeburg and the Berlin-Wartenberg engineering school (students' design bureaus for means of rationalization, as for the Berlin meat combine) must more still be

studied, through college performance comparisons, for generalizations that might be derived from them. This way then the combines provide themselves with a scientific-technological lead for their fabricating the means of rationalization closely tied to product and technology development, and they make it possible that the fabrication of the means of rationalization gets concentrated on highly productive, combine-specific equipment, which would also include the development of process-specific electronics.

Of essential importance for the economic and social effectiveness of the fabrication of the means of rationalization, it turns out, is further improving the economic effectiveness of fabricating and using the means of rationalization.

The fabrication of the means of rationalization must not be placed apart from the rationalization requirement. It must itself become an object of planned rationalization. As situations are not all alike in enterprises, the concrete tasks and solutions in an enterprise will also differ from some in others.

The division of labor process in fabricating means of rationalization in the combine ought to be tied to standardization, streamlining and the transition to efficient design and construction techniques (e.g. component groups, replication groups, modules) so one can noticeably enhance the degree of replication in the fabrication of means of rationalization. That often permits small series production which, along with the already mentioned savings in time for development and fabrication, would release considerable processing capacities (in contrast to doing it piece by piece) and lead to further positive effects: Improvements in the technological lead, chances for changing the production organization in making a transition from the workshop to the product principle, higher productivity and efficiency in production and so forth.

A similar capacity and efficiency-promoting role is found in a higher degree of replication for tried and tested solutions for the means of rationalization. That presupposes more work done with the rationalization catalogues; their effects ought to be enhanced in various directions. It is necessary to make the means of rationalization catalogues more binding so that they not only furnish information but be developed as a systematic reservoir of mandatory solutions for means of rationalization. When a tested solution has worked, it should be obligatory to replicate it; when different solutions are proposed, the organ that manages the means of rationalization in the combine should have to authorize them.

All that is backed up by the stipulations in the resolution on measures for replacing and modernizing the inventory of machine tools in the GDR between 1983 and 1985, which also calls for drafting complex documentations for the scheduled and implemented modernization solutions that must then be offered as prototype solutions, through the means of rationalization catalogues, to the metal processing industry to be replicated.

The efficiency of the fabrication of means of rationalization must further be improved by taking over proven organizational forms. One peculiarity in fabricating means of rationalization oneself is that these new ideas and solutions, as a rule, must there be turned at once into a functional machine or installation without there being test models or zero-series experiences, and they must be operative in the user's production process without greatly hampering the production process. This is the risk in fabricating means of



rationalization a number of means of rationalization fabricators evidently are shying away from, and that is reflected by not enough progress in productivity and transfer periods that are too long, about which the fifth session of the SED Central Committee had critical remarks to make. Fear of risk expresses itself already in insufficient performance goals in the new and further development of the means of rationalization.

This is what our experience has shown: The willingness to design and construct high-performance means of rationalization that are highly efficient and to shorten the time it takes to transfer new means of rationalization into fabrication can be positively affected by taking over proven forms of organization from other areas (R&D), e.g. by introducing prototypes to prove the functionality of components and parts of aggregates even while going through the various steps in the labor or by setting up technological testing workshops for a realistic and practical testing of the means of rationalization fabricated on one's own and outside of the mainline production process.

Important reserves for improving the performance further and increasing the efficiency of the fabrication of the means of rationalization can be found in expanding the cooperation among enterprises under various jurisdictions and in diverse branches. The requisite improvement of the technical-technological level in the fabrication of the means of rationalization in connection with the introduction of microelectronics and robot construction leads to requirements that in a number of enterprises and combines exceed currently available possibilities there and require deeper cooperation with enterprises outside the combine. Among the advantages of socialism is that use can be made in particular also, in accordance with the plan, of territorially organized cooperation, help and support. Mutual assistance to rationalization is capable of further development.

In their political leadership over these processes, SED bezirk and kreis party organizations were able to gather many good experiences in recent years. Also for the future the readiness and commitments in territorial rationalization (the fabrication of means of rationalization) must be further developed in all enterprises, institutions and facilities. The key aspects here are as follows: --The newly formed bezirk-managed combines need more of a shot in the arm for setting up their own means of rationalization fabrication: direct help through deliveries of means of rationalization, capacity allocations for the fabrication of means of rationalization, handing over suitable capacities released through the concentration process in the centrally managed combines, and so forth. --Bezirk-managed combines also need special support in the fields of R&D, project planning and designing of means of rationalization. Along with the high-performance centrally managed combines, the combines and enterprises in the bezirks bear a special responsibility for that kind of rationalization.

Further qualitative steps in fabricating means of rationalization oneself are now suggested in progressive, high-performance combines. Especially among the central fabricators of means of rationalization in the combines and in the machine construction enterprises in combines that are specializing in the fabrication of means of rationalization, qualitative developmental tendencies are showing up that surely call for more long-range analysis and observation. These developmental tendencies are mainly the following: a transition to the production of automation equipment and the continued development of the fabrication of means of rationalization to a complex center of rationalization within the combine.



This trend that the one who makes use of modern automation equipment will fabricate it himself has already become typical of the fabrication of means of rationalization in a combine. The 10th SED Congress resolution on fabricating and using 40,000 to 45,00 industrial robots and keep on building such automation equipment through the combines' and enterprises' fabrication of means of rationalization triggered a fundamental qualitative change in the fabrication of means of rationalization. Fabricating industrial robot equipment by oneself is only the start and one element for complex automation equipment. In the international perception, for the automation of technological processes five intertwined blocks of installations are needed (programmed machine tools, industrial robots, automated conveyer belts, automated storage and control computers).<sup>12</sup> When complex automation is introduced, the fabrication of means of rationalization assumes an all-inclusive importance that cannot be fully assessed as yet today. That is, generally, to be found in the design and own fabrication of new equipment and the adaptation of bought equipment--mainly with regard to the links in the automation, the robot, conveying installations and storage. The increasing importance for the fabrication of means of rationalization also is due to the graduated nature of the automation processes, which often starts with the industrial robots and draws in gradually and step by step the automation elements of the conveying installations and the automated storage, which normally must be adapted to and fitted into the installations in place. Unique solutions of this sort are already a domain of a high-performance fabrication of means of rationalization.

The process of developing high-performance means of rationalization enterprises into rationalization centers in the combine can already be detected in the following:

- The development of the managerial and coordination functions of the central fabricators of means of rationalization in the sector of their combines' means of rationalization fabrication;
- the turning of these enterprises into technical-technological centers in the combines for developing, producing and applying microelectronics in the combines' material-technical base;
- the turning of these enterprises into managerial enterprises for producing the industrial robot equipment in the combine; and
- the assumption of functions in the sense of a main contractor (sub-contractor) for rationalizing complex processes, sectors and sections, including the R&D, project planning, design, fabrication and installations of automation solutions up to conducting realistic continued training programs for engineering personnel and production workers.

New steps in their own fabrication of means of rationalization further strengthen the reproduction capacity of the combines and of the economy. Enforcing socialist rationalization, the effective placement of investments, the acceleration of the scientific-technological progress and the further improvement of the working people's working and living conditions are aims and steps toward implementing the economic policy of the 10th SED Congress. The fabrication of means of rationalization in the combines and their enterprises is making an ever improving contribution to it.

# FOOTNOTES

1. E. Honecker, "In kampferfuellter Zeit setzen wir den bewaehrten Kurs des X. Parteitages fuer Frieden und Sozialismus erfolgreich fort--7. Tagung des Zentralkomitees der SED" [In These Times of Struggle We Press Ahead Along the Road to Peace and Socialism Charter by the 10th Parth Congress--7th Session of the SED Central Committee], Dietz publishing house, Berlin, 1983, p 25.
2. Cf. "Nach neuen Masstaeben die Intensivierung umfassend organisieren" [Comprehensively Organizing Intensification by New Criteria], Dietz publishing house, Berlin, 1984, p 39.
3. "Report from the Central State Administration for Statistics on the Implementation of the 1983 National Economic Plan," NEUES DEUTSCHLAND, 19 January 1984, p 4.
4. Cf. "Oekonomische Strategie der Partei--klares Konzept fuer weiteres Wachstum" [The Party's Economic Strategy--A Clear Concept for Further Growth], Dietz publishing house, Berlin, 1983, p 42.
5. In analyzing the capitalist production and utilization process, Marx pointed out that the decisive thing for the capitalist was "to produce his constant capital himself and to appropriate a part of the surplus labor which he otherwise would have to pay some other capitalist." (K. Marx/F. Engels, "Werke" [Works], Dietz publishing house, Berlin, 1956-1968, Vol 26.3, pp 210 and 214).
6. Cf. "An Important Question: How Rational is the Fabrication of Means of Rationalization?" NEUES DEUTSCHLAND, 18 July 1983, p 3.
7. Cf. E. Honecker, op. cit., p 31.
8. Ibid.
9. "Oekonomische Strategie . . .," op. cit., p 112.
10. Comrade Erich Honecker, "Mit Tatkraft und Zuversicht die vor uns liegenden Aufgaben zum Wohl des Volkes meistern--Schlusswort der 5. Tagung des Zentralkomitees der SED" [Coping with the Tasks Ahead of Us for the Good of the People with Energy and Confidence--Concluding Speech of the 5th Session of SED Central Committee], Dietz publishing house, Berlin, 1982, p 26.
11. Cf. DAS HOCHSCHULWESEN, No 9, 1983.
12. Cf. S. Yelekoyev, "Review of 'Robots in the Japanese Economy,'" SOWJETWISSENSCHAFT--GESELLSCHAFTSWISSENSCHAFTLICHE BEITRAEGE, No 1, 1984, pp 108 ff.

5885

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MANAGERS, NOT WORKERS INTERESTED IN ENTERPRISE POLITICS

Budapest OTLET in Hungarian 16 Aug 84 p 4

/Interview with Andras Molnar, director of the Machine Element Factory in Ujpest, and with several workers at the factory, by Zoltan Biro, "Shop-Walking." Date of interviews not indicated/

/Text "...Every reform process requires a broad basis, and this is especially true in the present crisis situation, in connection with the reform which must be accomplished by Hungary's society and economy. An accurate and democratic system of information is crucially needed in this situation. Without this, we can hardly expect to see the emergence of a public opinion which is conducive to reform." (Rezso Nyers' remarks, heard in the film "Thoughts on Reform.")

/Question What have you heard about the further development of the economic reforms? What changes do you expect at your workplace?

Mrs Laszlo Spenge, a worker in the lathe shop, is amazed at the flood of questions aimed at her. She answers in an uncertain manner:

/Answer I was on sick leave for a long time; I just came back to work, I have not heard anything yet.

/Question But, in accordance with the decrees appearing in the fall, there will be an election for director in this factory, too. What do you expect out of that?

Understandably, Mrs Spenge loses her patience at this:

/Answer Look, I have not heard anything about that. I do not hear about anything, I do not care about anything. I stand at my machine and work; that's all.

Interrupting the chain of interviews which will continue a few lines later, let us get acquainted with the enterprise and its director. The selected plant, the Machine Element Factory in Ujpest, has many of the enterprisal characteristics which we would like to see as frequently as possible in the economy of our nation. This middle-sized supporting-industrial factory,

employing 700 workers, can attribute it to a high degree of mobility and adaptability such that during 1983 it achieved a production value of 550 million forints and earned nearly 150 million forints in profits. In spite of this, the director, Andras Molnar does not feel he is truly qualified to answer our questions:

"If you question the director of a troubled, unprofitable enterprise, he certainly would attempt to explain every difficulty by referring to the contradictions in the present economic mechanism and the economic leadership. That is exactly why his words would not appear justified. On the other hand, the Machine Element Factory is--I can state this without being immodest--one of the best-working plants in the machine industry, and it produces at a rate well above the average. So, should I be critical and point out mistakes in that economic system under which our plant succeeds so well? We have practically no outstanding loans, we use our own resources to undertake developments or to increase our product profile. Not because there was a directive issued to this effect. We are not urged /to do this/ by the ministry; it is in the interests of the enterprise to accommodate the market.

/Question/ The interest of the enterprise? Isn't it rather in the interest of its management?

/Answer/ That's just it! This takes us to the topic of reform. Nowadays, hardly anyone other than the plant's management are interested in us getting ahead. The workers hardly care about efficiency and profitability.... Whether we can sell our products or not, whoever works for 8 hours receives his wages. At best, the worker gauges the situation of the enterprise by the size of wage increases or by his share of the profits. It is widely known that the popularity of profitsharing has declined. As for wage increase, let me say this much: I know an enterprise which for years has been operating at a loss, producing unsalable goods, yet they were allowed to introduce a 15 percent wage increase, while we obeyed the regulations and raised wages by 5 percent....

/Question/ And does the income of the managers depend on market efficiency?

/Answer/ More or less. About half of my income is the result of the enterprise's profitability. This year we introduced a new system of bonuses: At the levels between department head and plant director, the only factor determining the size of bonuses is the growth of the enterprise's profits. Well, in the case of the workers, this kind of material inducement is missing. In a situation like this, it means little if we make the worker a member of the enterprise's council. He will not think about the market, or the profit of the enterprise; his basic worry will be how much is in his pay envelope. Let me add here: this is not a surprise, this is most natural. The worker will only become active in the council or during the election of director, if the thickness of his pay envelope (and those of his friends) will truly depend on the decisions made by him. And it also makes a difference whether he has anything to decide. Under today's conditions, three-quarters of the profits are taken away in various form of taxes and the distribution of the remainder is accomplished in accordance with strict regulations. All of this makes it impossible for a genuine profit interest to develop.



/Question/ You mentioned the election of director. As a practicing director, what is your opinion of this?

/Answer/ Undeniably, this could result in an existential loss for me. Before this, higher authorities supported me with their advice and prestige. It is also important who is one's boss: Yesterday it was the minister, but /after the election/ it could be the enterprise council?... The principle is unquestionably sympathetic, but it is somewhat unclear how it will work in practice. Perhaps this is the way it should be: Legislation is created at the higher levels, while we down here just keep guessing.

The lathe shop produces those factory products which demand particularly high skills and that the best-trained workers work here. They are the ones we questioned "with stubborn thoroughness," posing the same question to each of them in the shop: "What have you heard about the further development of economic reform? What is your opinion of the workers' right to elect the director?"

"I know about it; one gets informed the best way one can," says Laszlo Babud, grinder operator,--"But, the truth being told, I find it difficult to imagine. I have been working in this factory for 32 years, I almost consider myself a shareowner. During this time, we have talked about shop democracy, plant democracy and socialist democracy. I guess this time, too, we are trying to accomplish something like that. I hardly think I could argue with the head bookkeeper.... Rather, I would like to have a say in the affairs of this shop. For example, look at those windows: In your opinion, how many years has it been since they were last cleaned? I would also like to know why I get half or one-third as much for honest work, as the GM gets?

Laszlo Babud escorts me to one of his colleagues, the "brains of the shop," saying that I should ask him. He will certainly have something smart to say. The colleague does not answer my questions. He does not even reveal his name, only advises me: My efforts are wasted; in this shop nobody cares about politics on a higher scale. Yet he is curious and asks me: How many people had any idea at all what I was talking about....

"We are working regularly and do not have time to worry about this kind of matters,"--answers the third interviewee, Sandor Bardi, lathe operator. "If there really is going to be an election, I will vote for the present director, because he does not walk into the shop as a "gentleman." He understands our problems and tries to take care of them, not like the previous director. For example, in 1965 I left the factory on account of a difference in opinion, and came back 3 months later. This director arranged for me not to lose my seniority."

"So, the new topic is that enterprises will become self-managing?" Ferenc Papi lathe operator begins his answer, "I like that. It is better to elect someone, than to be saddled with whoever they send down to us. Because if we place our faith in someone, in due time we can also question that person about the way he performs. I came here from the MAVAG Works in 1949; since that time I have seen a few directors, and I can tell you from experience, it makes

a difference who is guiding the factory. There were times when the director, the party secretary and the other leaders each pulled in different directions and we, the workers, suffered because of their infighting.

Another anonymous person: Mrs I. B., that is all she tells me. She looks at me incredulously:

"I go through the newspaper every day, but I have never read anything about this."

/Question/ Have not you heard of the election for director, either?

/Answer/ One should not believe everything one reads in the newspapers. In any event, even if there will be an election, they will not ask us who we would like to see nominated.

Imre Kolumpar, lathe operator, and Janos Balogh, laborer, have not heard or read anything about the further development of the economic machinery either. Gabor Szarvas, secretary of the shop's party cell and group leader, nods his head as he listens to my hastily compiled statistics:

"Our propaganda activities are falling behind, both on the higher level and here. After all, how does shop democracy work? They form a decision on the higher level; in principle we all agree with it, we consider it correct. Then we break it down at the level of the enterprises, but after this we wimply announce it, and nobody explains to the lathe operator why it is good for him. But even what I know about the party decisions is not enough for me to be able to explain them to others. Recently I read that the working class participates in overtime, not in political activity. We had a director who stated publicly that the worker does not care who the director is, that /the worker/ only sees as far as the foreman. We should not be satisfied with this. In my opinion, shop democracy is necessary for counterbalancing the leadership, so that the worker can have his say concerning the internal affairs of the enterprise."

12588

CSO: 2500/609

MINISTER DISCUSSES SITUATION OF CONSTRUCTION INDUSTRY

Budapest HETI VILAGGAZDASAG in Hungarian No 33, 18 Aug 84 pp 4-5

[Interview with Laszlo Somogyi, Minister of Construction and Urban Development, by Pal Emod: "The Dice Turns"]

[Text] It is rather rare when an enterprise manager is appointed minister. And Laszlo Somogyi (age 52) was for 6 years manager of the Public Building Construction Enterprise, and prior to that for 16 years deputy technical manager of the Alba Regia in Szekesfehervar, so that he spent 22 years in leadership posts of construction industry enterprises. As enterprise manager he also accepted chamber functions: he headed the construction, construction material industry and structure manufacturing department of the Hungarian Chamber of Commerce, and besides this since 1980 he has also been a member of MKK's [Hungarian Chamber of Commerce] presidium. Among other things we asked the recently appointed minister: Do the construction enterprises have to look for work?

[Question] You requested that I do not ask you about your ministerial duties since you are just now familiarizing yourself with the job. But as enterprise head you were wrestling with problems which may be typical for the entire construction industry. In what direction has the construction industry, and specifically your former enterprise, the Public Building Construction Enterprise, moved in recent years?

[Answer] The cutback in investments is in the background of the movement, which characterized not only last year but is also expected to put its stamp on the next year or two. And it follows logically from this that the construction industry must transform to become enterprising in character. That is, while the customers or investors were chasing after the architects and builders, the construction industry was in a comfortable situation. But by now the dice have turned.

[Question] Is this characteristic for the entire construction industry?

[Answer] Generally so, but especially for special deep construction, road construction, duct construction, bridge construction, that is, in these areas an oversupply has now developed.

[Question] Did you feel this also at your previous enterprise?

[Answer] Yes, since at one time we could pick and choose among the deep construction, foundation laying or road construction subcontractors. But in other trades this is not yet characteristic: for pipe installation, heating installation, and specialty industry jobs it is still difficult to get a favorable bid.

[Question] Did the Public Building Construction Enterprise give much work to the subcontractors?

[Answer] Yes, since the subcontractors implemented nearly 1 billion forints of the 2.4 billion forint production value.

[Question] And in those trades where several cooperative partners bid, did the bid prices come down?

[Answer] We are not at the point yet today where prices would come down under the effect of competition. The supply is not sufficiently large yet for this. Some price moderation can be seen in some of the specialty areas mentioned--for example, in deep construction--but this is not universal.

[Question] How do you explain this?

[Answer] In my opinion somebody--let's say--takes on road construction for less because he wants to make better use of his machinery. So he calculates at what price a minimum profit can still be made, that is, he weighs the "threshold value" of profit.

[Question] Has your former enterprise faced such a dilemma?

[Answer] Earlier no. But at the present time it appears that there may be problems around the utilization of the structure building capacity. This, by the way, is typical for the entire trade: it could produce much more building structures than finished houses, since the so-called finishing capacity is smaller than that of the building of structures. But still people do not have to chase after work in all areas.

[Question] Even though we can hardly speak about entrepreneurship in the construction industry. Perhaps one of the ministry's most important jobs could be to organize competition?

[Answer] Since the EVM (Ministry of Construction and Urban Development) has market control authority, it must--with regulations and orders--create the conditions of competition, control the competition's operating mechanism and naturally also the prices. The ministry also handles the evaluation of



experience gained at the negotiations. Last year the efficiency index of open negotiations was 23 percent. In the first half of this year open bid announcements were made for 477 facilities, and in Budapest, for example, in the first half of the year the ratio of successfully concluded negotiations. Last year the efficiency index of open negotiations was 23 percent. In the first half of this year open bid announcements were made for 477 facilities, and in Budapest, for example, in the first half of the year the ratio of successfully concluded negotiations reached 58 percent. If the national average would be so high also, we could be satisfied.

[Question] According to this it is not mandatory everywhere to announce competitive bidding.

[Answer] Competitive bidding must be announced at every job--investment--where state money, that is, budgetary assistance or bank loans are also used. Thus the construction of schools, hospitals and other institutions can now be won only through competitive bidding. This is not typical yet in housing construction.

[Question] How can the EVM help this process?

[Answer] Primarily from the side of regulation, then through providing incentives to heads of enterprises. Naturally the correct price policy may lubricate the competitive mechanism.

[Question] We have already clarified it that so far there are only a few examples for price moderation, but has competitive bidding shortened the contract deadlines?

[Answer] Of course, we can see this especially in school construction.

[Question] If the competitive bidding system has worked out so well, why is it not used in housing construction?

[Answer] Because of the lack of interest problem there are not enough contractors yet in this area. But competitive bidding is effective only with free prices. That is, the competitive bidding is decided on the free contracting price, on the reference shown. By the way, in many cases not the lowest bid wins but the most reliable bidder whose price is acceptable. The investors are slowly beginning to realize that cheap meat makes weak soup.

Returning to housing construction: if assignments could be obtained here by competitive bidding, initially perhaps the prices would go even higher than the maximized level, but later they would certainly drop. Taking all this into consideration we must be careful--mainly for standard-of-living policy reasons. But sooner or later space will have to be yielded here, too, to the enterprising spirit. That is, I am convinced that the enterprising and competitive situation keeps prices within the reasonable limits and favorably affects quality.

[Question] Would the Chamber's construction industry department which gathers in the enterprises, also vote to hold back the maximized prices?

[Answer] The Chamber had a significant role in creating the competitive bidding system, since the Chamber also provided an opinion about the conditions of the experimental wage and income regulation. The experiment started out right in our department and today its success seems clear, even though it also has some opponents. The Chamber provided the forum also for the social debate of ideas related to competitive bidding.

My opinion about the experimental wage and income regulation is that like all experiments, this one also includes certain risks. From a negative case or two we must not draw the conclusion that the whole idea is faulty. If the system of conditions is standardized, that is, it holds the same way for everybody, then the good ones should grow and the ones conducting economic operations poorly should get into difficult situations.

[Question] Analyses dealing with the construction industry are mentioning nowadays that the profit of the enterprises increased during the course of the experimental wage and income regulation, while production did not increase, and housing became more expensive.

[Answer] I argue with this conclusion. That is, it is not excluded either in the construction industry nor in other areas of the economy that profitability could improve, profits rise while production decreases. Naturally in this case cost management must improve. That is, with the changing structure the instrument-to-wage ratio is also modified. Today within the production value of the branch the ratio of reconstructions is constantly increasing, the average is 20 percent but at the Public Building Construction Enterprise, for example, it was 40 percent. And on reconstructions the production value per worker is lower than at a new investment.

[Question] That is, construction projects requiring more live labor are more profitable?

[Answer] Well organized live labor provides relatively high yields. Since the reconstruction jobs are done at free prices--and generally the wage cost incurred can be implemented--the profit yield is relatively high if the activity is well organized. Therefore there is no contradiction in it that profit can increase with decreasing production. We should get away anyway from the habit of fetishizing the production value. That is, if someone at the given production value increases his profit through better organization and more efficient live labor, then he is also satisfying the regulation's general requirements.

[Question] But if, parallel with this, the construction industry's prices increase then the line of thinking is no longer clear, and in addition the process causes an inflationary effect.

[Answer] The price tendency must really be watched. But contrary to the public belief the construction industry's own price level increase is no larger than the general price increase. Two-thirds of the price level increase derives from the spiraling prices from other sectors. According to the first half year's data the price increase in the construction industry is 5.2 percent. It could be, of course, that the prices of enterprises working outside the organized construction industry are increasing faster. That is, our statistics do not contain this activity.

[Question] How many construction industry enterprises are participating in the wage and income regulation experiment?

[Answer] Last year 21 started out, this year the circle has been expanded to 35 organizations.

[Question] When are the design institutions expected to join up?

[Answer] At the present time only one design institution and one investment enterprise are members of the experiment. And since the "trial run" will be completed at the end of the year, we would like to introduce the competitive bidding system at the design institution also.

[Question] It would be nice to know with what the enterprise heads participating in the Chamber's construction industry department were not satisfied, and where they wanted faster changes?

[Answer] It was defined not only in our department but also in another Chamber forum: more support must be given to organizations which take the initiative and accept risks. There is a sort of fear in the air today: if the reins are relaxed, the buggy will turn into the wrong direction. But tight reins may take away the desire of many people. I feel this approach has caused damage in recent years in the construction industry also. That is, besides the general regulation the way must be found that those who want to move ahead with bigger steps--accepting the risk which accompanies the faster rate--should be able to do so. Not to mention that failure is also a part of economic life. Without failure there is no competition, no progress. Of course, I know that it is difficult to create regulation which is uniformly effective for enterprises with differing given natural conditions. But that much is certain that the present system slows down the growth of the good ones, and slows withering of the weak ones.

[Question] Has it ever come up in debates in the Chamber's departments that it is not expeditious to help by central means those who fall behind?

[Answer] Everyone agrees with this--at least in principle. But if he is the one who gets into trouble, then he is looking for the possibility of special consideration, for a way to balance the losing account. By the way, the bankruptcy question is one of our most difficult problems to solve today.

[Question] But the enterprises which can grow and have strong capital--which would gladly purchase buildings and equipment, and employ more people--are unable to expand if the firms operating at a loss are not selling their machinery and are not cutting back their employment.

[Answer] I am convinced that this will be taking place within a relatively short time.

[Question] For example, did your former enterprise want to buy equipment, and was there any available for it to buy?

[Answer] No, and in general this does not yet characterize the trade. Rather, we are setting up subsidiaries to improve flexibility. On the other hand, in my opinion a big firm with strong capital can also be flexible, so that not only the little ones can be beautiful.

[Question] But this hypothesis can be proven only if the orders are really decided by competitive bidding, where everyone has the same chance to compete.

[Answer] I know of a competitive situation where a firm of two billion was competing against a GMR (business work partnership). Somewhere else a joint enterprise was the winner against an organization employing 3-4,000 persons. Indeed, even foreigners may compete if they accept the financial conditions. For example, Polish builders took away the investment of the beer bottling plant in Kobanya, which is a billion forint undertaking. In one word: the competition is open.

[Question] Turning back to your function in the Chamber, and to your present one: switching over to the chair of ministership, are you judging differently the questions raised in the Chamber?

[Answer] No. The Chamber has great significance and will have after 1985 in representing interests. It is an important forum for debating questions which affect the regulation as well as competition. It must accept a portion of interest representation also because the decisive majority of the enterprises will be getting out of the ministry's direct sphere of managing authority. At the same time the enterprises are expecting market and regulatory orientation, and there is no more suitable forum for this than the Chamber.

8584

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## COMPETITION FOR MANAGEMENT POSTS ANALYZED

### Procedures Discussed

Budapest FIGYELO in Hungarian 23 Aug 84 pp 1, 6

[Article by Dr Gyorgy Varga, deputy editor in chief]

[Text] Scenario

1. The appointing ministry decides to invite applications.
2. The ministry's personnel department, and the party and trade-union committees concerned agree on the conditions and content of the announcement inviting applications.
3. The announcement is issued.
4. A selection committee is organized. Its members are: prominent enterprise chief executives in the given field, directors of the principal partners of the enterprise that is seeking a chief executive, and officials of the ministry's personnel department. Within the Ministry of Industry the selection committee usually consists of nine members; within the Ministry of Construction and Urban Development, of five or six members. The enterprise's party secretary and trade-union committee secretary also participate in the work of the committee, with a voice but no vote.
5. Evaluation of the applications begins. First the candidates who must be ruled out in advance are eliminated. At subsequent meetings, the requirements that the future enterprise director must meet are formulated, and personal interviews are held on the basis of these requirements. Finally, the selection committee chooses one or more candidates and submits its recommendation to the appointing official: the minister, state secretary or deputy minister. (Or the committee does not recommend anyone because it has not found a suitable candidate among the applicants.)
6. If the appointing official agrees with the selection committee's recommendation, he sends it on to the enterprise's trade-union committee. (Occasionally the appointing official also interviews the candidate.)

7. The trade-union committee submits its proposal to the council of shop stewards. The council's decision serves as a proposal on the basis of which the party committee discusses the appointment.

8. The appointment is made on the basis of the party committee's final decision. Specific requirements are set for the new director's job, and they will serve as the criteria for his subsequent evaluation.

#### System's Scrutiny

"Managers today are being hired off the streets," some expostulated when they first heard of the new system of selecting managers, by inviting applications. The many phone calls that specialists of the ministry concerned often receive when an invitation to submit applications is announced are the best proof that the new directors general and directors are not being hired off the streets. "Have X and Y submitted applications?" "Is it worth my while to apply?" "Has anyone requested Z to send in his application?" And so on. The question as to how well the new system of inviting applications serves the principles of our personnel policy can be answered favorably already now, on the basis of the nearly 18 months of practical experience with its implementation.

It is nearly 10 years since enterprises have been given an opportunity to seek their chief executive by inviting applications for the post. In practice, however, the enterprises did not avail themselves of this opportunity because the branch ministries insisted on their own five-year personnel development and replacement plans. The choice of alternatives, and the democracy of the selection process that the system of inviting applications presupposes could not be reconciled with the chief executives' planned and rather rigid career paths directed from above. If employed at all in the past, the system of inviting applications was highly manipulated and tightly controlled, and thus it had no significant influence on the mobility of chief executives.

When the unified Ministry of Industry was formed, the task of filling and finding replacements for 900 key management posts devolved on the ministry's personnel staff. Fulfillment of this task became impossible. In 1981, therefore, the ministry's personnel specialists proposed that the enterprises' directors general or directors be given delegated authority to appoint their own deputy directors; if for no other reason, because the ministry--with few exceptions--always appointed to these posts the persons whom the directors had recommended. This proposal was not an unqualified success within the ministry at that time, and a decree of the Council of Ministers was needed to reduce from 900 to 300, as of 1 January 1983, the number of key management posts over which the ministry retained jurisdiction.

It was proposed in the early 1980's to set specific requirements for key managers, in a way that would not violate the enterprises' independence. A part of development was also the realization that, except when they violated the law, it was fairly difficult to remove from their jobs the key managers who had been appointed to serve indefinitely. Therefore the appointment of key managers for definite periods was introduced.

According to the 1983 decree of the Council of Ministers, the appointing official (minister, state secretary or deputy minister) decides how he will fill a key management position: whether in the traditional manner or through the system of inviting applications for the position. Experience indicates that it is expedient to use the system of inviting applications even when the question of replacement could be solved intramurally. Within the Ministry of Industry, 90 enterprises were excluded initially from the system of inviting applications, but only 20 are excluded at present.

As we have been informed at the Ministry of Industry, it does happen that candidates sometimes are requested to apply. But the selection committee is not informed of such requests, to avoid influencing the committee's choice. Specialists of the ministry concerned prepare first of all the announcement inviting applications, and the selection committee's meetings. To strengthen confidence in the democracy and impartiality of the selection process, in industry the announcements inviting applications often contained also the names of the selection committee's members. (See the selection scenario above.)

There are three reasons why the selection committee may reject an application:

1. The candidate does not meet the conditions specified in the announcement (for example, he does not have the required educational qualifications).
2. The candidate meets the conditions specified in the announcement, but the selection committee finds him unsuitable for the key management position to be filled (for example, because he lacks the experience necessary to meet the special requirements in the given sector of industry).
3. The selection committee interviews the candidate but then rejects him because, in the final outcome, there can be only one successful candidate for the position. In such cases the written rejection contains the recommendation that the candidate answer future invitations to apply. Incidentally, in several instances the successful candidate eventually chose his deputy from among rejected candidates in this category.

Already in 1983, the Ministry of Industry used the system of inviting applications for 60 to 70 percent of the planned replacements of enterprise directors. Taking also the unplanned replacements into consideration, the proportion of replacements in which the system of inviting applications was used is substantially smaller. For some of the 11 announced positions of director, mostly at enterprises of medium size, there were more than 20 applications, but there were also positions for which only two or three applications were received. The situation was similar in the case of the enterprises under the Ministry of Construction and Urban Development: there were 14 applications for one position, but only two for the other. Of the two positions announced in the food industry, there were six applicants for one, and four for the other. In the case of positions as state-farm directors, one state farm received 16 applications, but elsewhere only four candidates applied. In general it can be said that there is not much interest in applying for positions with provincial, unprofitable or large enterprises.

The Ministry of Industry finds that the system of inviting applications is a method of selecting chief executives under which there is competition among the persons who can come into consideration; consequently selection is less subjective, and there is less risk for the appointing official. Proof of this is the fact that the selection committees interviewed 42 candidates, from 2 to 6 per committee. For 6 of the 11 directorships, the committees recommended more than one candidate. At the Ministry of Construction and Urban Development, four candidates were in the running for one of the positions when the selection committee's recommendation came before the trade-union organs, and there were still three names presented to the enterprise's party committee for consideration.

The experience to date with the system of inviting applications indicates that a desire to play it safe is still an important factor in the committees' decision: they usually recommend the elder and more experienced of the candidates for the position of chief executive. Consequently, the new system of selecting chief executives has not yet had much of an impact on rejuvenating them. The average age of the appointed chief executives is between 47 and 48, and only in the case of state-farm directors does the average drop below 40. There is noticeable caution also regarding rapid advancement: only rarely do the committees recommend for the position of director a candidate who would thus be advancing two or three levels.

Contrary to expectations, the second echelon at the enterprises was slow to respond: it waited and watched to see just how open and democratic the system of inviting applications was. The initial wait-and-see attitude changed to increasingly active participation in the second half of 1983, evident also from the fact that in industry the candidates for positions as chief executives included 13 enterprise deputy directors, 40 enterprise department chiefs, 29 enterprise section chiefs, 6 factory directors and factory-unit managers, 9 plant managers and plant directors, and 30 other managers. The 10 candidates in the food industry included 2 deputy directors, 1 department chief, 2 section chiefs and 5 persons in other positions. On state farms, the deputy directors and department chiefs were the most active, but here too the proportion of candidates in other positions was high. There were conspicuously few factory directors among the candidates (nobody in jobs corresponding to this level applied in agriculture and the food industry), an indication that at present these managers mainly carry out orders, have little independence and not much access to information. They are people programmed from the enterprises' headquarters.

Foreseeably about 80 enterprises will remain under the Ministry of Industry, and it expects the replacement of 8 or 10 chief executives a year. The system of inviting applications can function especially well within such a circle and, hopefully, among the largest enterprises as well. Instead of having the ministry set the system of requirements regarding each enterprise's future, the idea is to let the candidates themselves outline their own proposals in their applications, and then these "election programs" would compete before the selection committees. In this way the applications will be taken more seriously, and selection will be more objective. The purpose of letting the programs compete is to enable the truly talented candidates to gain the position. But this also requires giving the chief executives the independence and options necessary for



their positions, and reflecting more consistently in the chief executive's financial and moral appreciation the profitability of the economic unit he is managing. Briefly stated, the chief executive's job must be made far more attractive than at present, primarily to talented candidates.

#### Proposed Changes

Budapest FIGYELO in Hungarian 23 Aug 84 p 6

[Article by staff reporter Dr Miklos Breitner: "Refinement, Modification, Proposals"]

[Text] Although the views regarding the system of inviting applications are basically favorable, some unfavorable phenomena also can be found in the accumulated experience.

1. The circle of candidates. The candidates so far have been predominantly technical personnel and, with two exceptions, males. The ministries, too, regarded this as natural, a continuation of past practice. But now chief executives of the entrepreneurial type, with training also in economics, can be found at the helm of the best enterprises under the Ministry of Construction and Urban Development, for example. The candidates seem to be moving only upward or horizontally at most. As yet there has been no chief executive who, tiring of managing a large enterprise, has applied for the position of director of a smaller enterprise. This fits in with the "we cannot lose" or "retreat is equivalent to failure" mentality. And although the regulations now in force do not permit this as yet, consideration should be given to the idea of letting top management teams (the enterprise director with his technical and economic deputy directors) apply. In this way the concept of management and entrepreneurship would be better substantiated, and also the second echelon's replacement--often protracted at present--would be much smoother. The problem of finding chief executives for unprofitable enterprises also has to be solved because the new director at such an enterprise will feel the effects of earlier mismanagement also in his remuneration. Therefore it is no wonder that under the Ministry of Construction and Urban Development an invitation to apply was unsuccessful specifically in the case of an unprofitable enterprise.

2. The selection mechanism. Even if there are candidates who have been requested to apply, this usually does not influence the admittedly somewhat complicated system of selection. Many of the candidates had already been in jobs subject to performance evaluation, and their evaluation reports provided some guidance for the selection committees.

Unlike under the previous plan for the training of replacements, under the system of inviting applications the psychological and health requirements cannot be checked. In the past, admittedly, the appointing officials and even the appointees themselves often disregarded medical advice, sometimes with tragic consequences. (There is no probationary period under the system of inviting applications. Naturally, the ministry or the members of the selection committee nevertheless knew most of the candidates professionally.)

At the same time, the process from announcement to appointment is extremely time-consuming. Beginning with the fact that newspapers sometimes accept ads for publication only with a lead time of 4 or 5 weeks, and ending with the recommendations of the trade-union and party organs. This applies to the selection of a chief executive to fill a vacancy caused by the previous chief executive's unexpected dismissal, sudden retirement or death. The operations of the enterprise will suffer considerably during the critical months when there is no chief executive at its helm. Not to mention the fact that the selection procedure can end unsuccessfully. (At the Ministry of Construction and Urban Development, no successful candidate emerged for two out of the ten announced positions. In one of these cases, a chief executive has been appointed in the traditional manner; and in the other case, a solution is still being sought.)

The manner of providing information for the candidates has yet to be solved. An awkward and cumbersome situation could arise if a candidate were to seek information from the enterprise itself. It would be expedient to maintain centrally up-to-date files containing the information that is essential in such cases. In addition to statistical data, the files could include the enterprise's history, plans, the auditors' reports, published domestic and foreign articles about the enterprise, etc. This could offset to some extent also the drawback with which an outside candidate is starting. On the other hand, it is questionable what kind of information an outside candidate could receive from the enterprise, perhaps from a competing inside candidate. This could violate both the secrecy and democracy of the selection process.

3. Appointment. Here primarily the formulation of the requirements is creating problems. The chief executive's tasks usually are summed up in five to seven points. Among them, the specific "expectations" regarding production (what to produce or build, and where) have been omitted (finally!). Instead, the new chief executive is merely instructed--and this, regrettably, happens often--to improve the enterprise's economic efficiency. But there is no telling how this requirement will be interpreted a few years later, when the chief executive's performance is being evaluated, or thereafter. Within the general formulation, the points regarding manpower management, public supply, and development policy are more tangible and easier to call to account. But prudent increase of the enterprise's assets is not one of the typical requirements as yet!

Another question is whether the candidate who gets the appointment will be able to use the concepts of his fellow candidates competing for the position. In principle, he will not be able to do so because the submitted materials are returned to the unsuccessful candidates when the selection process is over. But in the meantime someone might have made copies of these materials, and the copies could reach the successful candidate, for a useful purpose. Well, this is something still unclear. Perhaps a good concept could be copyrighted, with an option to buy.

Are our proposals too far-fetched?

## HUNGARY

### ACADEMICIAN INTERVIEWED ON TECHNOLOGY IMPORTS

Budapest MAGYAR HIRLAP in Hungarian 30 Aug 84 p 8

[Interview with Mihaly Simai, deputy director of the World Economy Research Institute of the Hungarian Academy of Sciences, by E. Z.: "How Should We Import Technology?"; date and place not specified]

[Text] From every viewpoint we live in a most polarized world. There are, for example, innovative countries where new technologies are born with tempestuous speed, and there are countries which try to follow and take them over as quickly and efficiently as possible. There is no doubt that our homeland belongs among the latter--but in a few well selected areas it may be a successful innovator. The change in the product structure so much desired and technical development can be realized primarily by relying on imported technology. But the import of technology in itself does not represent a panacea for the problems. A plenum of the National Technical Development Committee recently studied this sphere of questions. The chairman of the committee which prepared the analytical study was Academician Mihaly Simai, deputy director of the World Economy Research Institute of the MTA [Hungarian Academy of Sciences]. We talked with him about this theme.

[Question] The study established that the import of technology in itself not only is unsuitable for improving the economic situations with weak capacity and a rigid structure but just the contrary, it can greatly worsen their problems. How is this possible?

[Answer] Imported technology in general is extraordinarily expensive. If the expenditures are to pay off not only must one create the necessary technological conditions but one must see that they function effectively also. On the one hand this means that the new technology does contribute greatly to the quantitative growth and qualitative improvement of domestic production, products can be produced more cheaply, and use of it contributes to increasing the export capability of the country or is accompanied by a replacement of import which saves hard currency.

[Question] And on what does this realization depend?

[Answer] To a large extent on the system of internal conditions of the economy. Unfortunately it often happens here and in the other socialist

countries that the imported technology introduced represents a burden for the given country. Supplementary import materials, semi-finished goods, parts and assemblies are needed to operate it, because a suitable back-up industry does not exist in the country involved. An economy which is poorly organized and works with a bad incentive system works against the efficiency of the imported technology too. In the final analysis these factors lead to a situation where the imported technology increases the problems of the receiving country, despite the fact that its volume is not relatively large. Indeed, frequently it is unjustifiably small.

[Question] Could you give an example?

[Answer] The most typical example of this was the case of the Polish economy. They wanted to realize economic development through massive technology import in the 1970's. But partly because of the weaknesses of economic guidance the effectiveness of the new technologies was extraordinarily low, and finally this fact had a large role in the development of the well-known economic difficulties of the 1980's.

[Question] The study also deals with the question of the internal spread of the new technology. What does this concept mean?

[Answer] It means how broadly the imported technology is used. A new technology appears in two forms. On the one hand the manufacturing process itself and on the other in the form of new products. If the processes which can be used in a broader sphere or the products are not capable of spreading in the given economy--this depends in large measure on the structure and innovative capacity of the economy--then the new technology remains an island which has virtually no effect on the economy as a whole. There are good and bad examples in Hungary. A good example is agriculture, where the imported technology spread extraordinarily quickly and effectively, because the internal conditions which favored this had been created. And Hungarian agriculture is contributing greatly to increasing the export capability of the country.

[Question] And the bad example?

[Answer] I do not want to mention concrete examples but, unfortunately, there are plenty of them in industry.

[Question] To what sort of causes can one attribute the difference which can be noted between industry and agriculture?

[Answer] I might mention the interest relationships, the different sort of enterprise contacts, the research and development staffs....

[Question] Industry is not struggling with a shortage of experts. We know very well that the engineers would be capable of doing much more engineering work than at present....



[Answer] That is not what I mean. Application in agriculture is easier in many respects because of our traditions and conditions. Agriculture is much less heterogeneous than industry and its product scale is much narrower. In addition to which the product scale of Hungarian industry is also broader than justified.

[Question] And in the future it may expand further as a result of the vigorously urged import replacements.

[Answer] This is not an unambiguously harmful process, if we can replace imports with good quality products--for example, as a result of efficient technology import. And a correct decision could mean new export possibilities too. In any case, the Hungarian economy is in a most delicate situation. The ratio of imports from the East is quite large among products exported to the West and vice versa. But both markets recognize the performance of the Hungarian economy and honor exports accordingly only if the goods are modern and their quality adequate. In this case the developed technology brought in from the West could pay even if the Hungarian economy sells a good part of the products on the eastern markets. Exports directed to developed markets would also have fewer obstacles with adequate modernity and quality.

[Question] But we are quite far from this ideal state in the present situation. Indeed, not only do export limitations afflict Hungarian industry, perhaps even more noticeably than this the import of peak technologies is hindered by various measures such as the ever expanding COCOM list....

[Answer] Two questions arise in connection with this. The supply of parts for developed technologies imported into the socialist countries earlier--for example, for large computers--and the import of new technologies. It must be added, however, that the western world is not at all uniform in this respect. There are outstandingly innovative countries, but new technologies can be found elsewhere also. A way must be found to link Hungarian research sites and Hungarian factories not into the import of new technology but rather into the joint creation of it. This is possible in part within the frameworks of CEMA also. There are many examples in international practice of large enterprises with lots of capital realizing achievements born at innovative small enterprises too. High level research and development work is being done in a few areas in Hungary the results of which might be made to bear fruit jointly with foreign enterprises. At the same time the largest enterprises of the country might be capable of applying in their own areas innovations born elsewhere. The COCOM list makes the import of technology difficult; it could paralyze international cooperation and internal innovation at the present level of development, under the given conditions. Even today the CEMA countries--we among them--are exporting to the West articles which figure on the COCOM list.

[Question] So in your opinion the success of technology import depends not only on external but also on internal factors, on the developmental level

of the back-up industry, the infrastructure and the incentive system. But this seems to be a vicious circle. Technology import is not effective because the conditions do not exist, but conditions can be improved only with effective technology import....

[Answer] I do not see a vicious circle here. Of course, improvement is not automatic. The incentive system can be changed, a back-up industry can be created. The personnel conditions for effectively taking over a number of technologies exist in the country. The import must be decided upon after a careful weighing of the circumstances. In this way the imported technology can finally play the role intended for it in the technical-economic system.

8984

CSO: 2500/607

## JAN-JUL 1984 ECONOMIC RESULTS SUMMARIZED

Budapest NEPSZABADSAG in Hungarian 5 Sep 84 p 10

[Article: "Economic Scoreboard"]

[Text] According to data from the Central Statistical Office, industrial production in January-July 1984 (excluding small enterprises, small cooperatives, and other small organizations) exceeded that of a year ago by 3.7 percent. With the exception of mining, every main branch of production rose, with food, electric energy and light industry rising the most. The growth of production approached the average in the machinery industry, while in the other branches it was less than the average. Marketing of industry [products] rose moderately for domestic consumers, strongly for export. In domestic sales, sales for consumer, investment, and production purposes all expanded. The number of persons employed in industry was 8,900, or 0.6 percent less than at this time last year. Productivity when calculated per employee rose by 4.3 percent. When calculated per hour worked it rose even more than that.

The 7-month production of the construction industry--in accordance with the guidelines in the plan--fell behind that of a year ago by 6.1 percent. The reduction was characteristic of the construction enterprises and the cooperatives; production by joint construction enterprises rose somewhat. The construction industry employed 6,700, or 2.3 percent fewer persons than in January-July of last year. Production per employee went down by almost 4 percent. The construction industry built fewer dwellings than a year earlier. The numbers of dwellings started and under construction also went down.

About the same amount of agricultural products was sold as last year. In this category, sales of live animals rose by 10.4 percent, which resulted mainly from a rise of over 20 percent in sales of hogs. Nearly 15 percent less of plants and garden products were sold than in January-July of last year. As a result of good pea production, over 10 percent more vegetables were sold than during this period last year, but sales of fruits declined in the 7-month period taken as a whole--in spite of a rise in July. Sales prices--mainly of vegetables and fruits--rose significantly. The rise in prices of these products in the stores and marketplaces was also considerable. Sales of animal products decreased somewhat.

Sales from small businesses were 9.8 percent above January-July of last year at current prices, 0.9 percent at comparable prices. The growth resulted

January-July 1984  
(in percentages of the corresponding period of last year)

<b>State and Collective Industry</b>	
Gross Volume of Goods Produced	
All Industry:	103.7
Including: mining	102.3
machinery industry	103.4
chemical industry	102.9
construction materials industry	102.8
light industry	105.3
food industry	105.9
Non-food industry	103.2
Number of persons employed	99.4
Gross production per employee	104.3
Average monthly wage of employees	107.8
<b>Construction Industry</b>	
Construction industry production	93.9
Number of persons employed	97.7
Average monthly wage of employees	106.1
<b>Foreign Trade (at current prices)</b>	
Import	107.4
Export	111.4
<b>Small Business Activity (at current prices)</b>	
Including: food and consumer items	108.1
articles of clothing	108.9
miscellaneous industrial items	111.6
Purchases	100.3
Including: plant products	85.2
live animals	110.4
animal products	98.2
<b>Accomplishments of Transportation Enterprises</b>	
Transportation of goods (based on ton-kilometers)	101.2
Long-distance travel (based on passenger-kilometers)	102.3
Income of the Population Derived from Central Sources*	112.2
Consumer Price Index	108.7
From this: price change for the year 1984:	104.7

\*Due to savings and the use of a portion of incomes for business purposes, the nominal figure for monetary income is about 3 percentage points below the figure for the income of the population.

from a 3.8 percent increase in sales of miscellaneous industrial items. Retail sales of food and clothing declined by 0.7-0.8 percent--at comparable prices. The volume of business in public accommodations was 4.2 percent less than last year at this time.

During the 7 months 87.0 billion forints were expended for investments, somewhat less (by 0.4 percent) than during the corresponding period of last year. In this category, sums spent for state investments rose by 3.6 percent and enterprise investments decreased by 3.1 percent.

9611

CSO: 2500/602



## EFFORTS TO INCREASE ECONOMIC EFFICIENCY

AU051455 Bucharest ERA SOCIALISTA in Romanian No 18, Sep 84 (signed to press 25 Sep) pp 4-7

[Article by Prof Dr Gheorghe Cretoiu: "A Higher Qualitative Stage in the Development of Our National Economy"--passages between slantlines printed in boldface]

[Excerpts] An important feature of the revolutionary changes that will take place in the coming 15 years will be the superposition of certain complex processes with different roots and dynamics resulting, first and foremost, from the level of economic development that existed at the point when Romania proceeded on the road to socialism. In other words, building the comprehensively developed socialist society also implies elevating the national economy onto new levels by securing a more powerful and highly modernized material base capable of ensuring an improvement in the place held in the world economy and in the international division of labor, a constant and systematic growth of national revenue, and an improvement in the material and cultural level of civilization of our people. /From this point of view, Comrade Nicolae Ceasescu's thesis according to which our party will focus--in the fifth decade of our country's freedom--on strengthening all achievements attained so far and on consolidating Romania's position as a medium-developed socialist country and its transition to a new and higher stage--the stage of a developed socialist country--is of principled, theoretical, and practical significance./ This thesis, which has been given concrete shape in the Draft Directives [of the 13th RCP Congress] succinctly but comprehensively characteristics both the current level and the new stage of progress Romania is to reach in the coming years, and the essential and final changes that are to take place in the level of development of the Romanian economy and in the place it holds in the world economy.

## New and Great Quantitative and Qualitative Transformations

In terming Romania a developing socialist country and in defining the goal of turning it into a medium-developed country, our party proceeds from the fundamental truth that the construction of the new social system and the full assertiveness of its social aspects cannot be conceived without the achievement of a powerful and modern economy or without a high level of development

that can only be reached gradually, without being able to skip over the necessary and objective stages in the process of developing the forces of production.

The concept of medium-developed countries establishes our country's position from the point of view of the level of development of the forces of production both as compared to the developing countries and as compared to the developed countries. Thus, Romania's transformation into a medium-developed country--a goal set forth by the 12th party congress for the current 5-year plan--will enable our country to expand the features that differentiate it from the developing countries and bring it closer to the developed countries. These transformations mainly concern the per capita production of a number of representative industrial products and numerous social development indexes and so forth. Self-evident in this respect are the impressive increases in the levels reached by main indexes in all areas during the years of socialist construction; compared to 1945, our country's industrial production has increased more than 100-fold--much higher increases being registered in machinebuilding and chemistry--while agricultural yields have increased 7 times over, and the national revenue 32 times over.

Strengthening Romania's position as a medium-developed country and its transition to a higher development stage requires a further reduction in the differences that separate us from the developed countries from the point of view of the national income per capita. The experience of our economic development in previous years proves the correctness of this orientation of our party's policy. Of significance in this respect is the fact that, according to World Bank statistics, while the annual average development rate of the per capita GNP varied between 1.5 and 4 percent in the industrialized countries (most of them showing some 2-3 percent) our country recorded a 8.2 percent annual average rate. As for the 1985-95 period, World Bank experts predict a 2.5 and 3.7 percent annual average increase in the overall gross product in industrialized countries. If we take into consideration the rate stipulated in the Draft Directives for national revenue in the coming 15 years, that is 5.7-6.6 percent, there will be a further reduction in the differences that separate us from the developed countries.

The strategy worked out and promoted by our party for the coming period proceeds from the requirements of optimal development by achieving differentiated economic development rates, so that the dynamism of our national economy will rely on making better use of all resources and so that economic growth will take place on the basis of an optimal economic equilibrium. In this respect /of great importance is the fact that the Draft Directives emphasize, in the 1986-90 period, guidelines and tasks for achieving an intensive economic growth by further modernizing the structures of production, by constantly improving the technical and qualitative level of products, increasing labor productivity to a greater extent, deepening production specialization and integration in order to make maximum use of production capacities, by strictly saving and making better use of material resources, and by substantially increasing economic efficiency in all branches and sectors./

At the same time, the ensurance of an optimal relationship between industry and agriculture and the development of all branches of the national economy in a harmonious and balanced way are given concrete shape in the achievement in the two basic branches of our national economy of growth rates that are closer together (6-6.5 percent in industry and 5.4-5.8 percent in agriculture), in giving an impetus to the highly technical subbranches in industry, in more vigorously increasing the vegetable output along with increasing the share of animal breeding (to 46-48 percent) in agricultural yields, and a concrete shape in the achievement of a more pronounced increase and diversification in the light and food industry outputs.

All these guidelines of an intensive and qualitative nature are based on the great technical-material and human potential available in our economy, which has to be turned to better account. They include developments that are absolutely necessary in our national economy in order to reduce and then eliminate the difference that separates Romania from the developed countries with regard to economic efficiency. The scope and topicality of these guidelines are also determined by the fact that, as was stressed at the meeting of the Political Executive Committee of the RCP Central Committee of 29 August this year, there are still a number of deficiencies as regards increasing efficiency, and the gaps that have to be eliminated between our country and the developed countries are wider in this area than those in the itemized production of certain industrial branches and subbranches. The special programs drafted by the party aimed at increasing economic efficiency and the Draft Directives stipulate high labor productivity growth rates in all areas of the national economy, improving the technical and qualitative level of production, cutting back on the raw materials, fuel, and electric power consumption, reducing costs and especially material expenditures, and achieving important increases in outputs and national income.

Referring to this orientation of our economic policy, Comrade Nicolae Ceausescu stressed: "What we have in view is that Romania reach a new stage by 1990 and that we consolidate its position as a medium-developed country from all points of view. In further developing the forces of production we will give priority to intensively developing industry and agriculture, and to improving quality and the technological level. We want to engage with all our strength in achieving the new industrial revolution on the basis of the material and scientific potential we have available at this point. We are doing all we can--in cooperation, of course, with other countries--to secure Romania's place in the modern development process on the basis of developing electronics and robotics and on the basis of the general automation of the production processes." For this purpose, measures will be taken to redesign and modernize products in order to increase their durability and operational security, to reduce their weight and consumption, and to increase productivity and cut back on costs.

The excellent achievements by the Romanian people during the years of socialist construction, particularly in the past 20 years, have fundamentally changed our country and placed it onto higher and higher levels of progress and civilization. The stage we have reached in our socioeconomic development permits us to aspire to new and important progress on the road to

eliminating the gaps that still separate us from the economically developed countries. The prospects that open up on this road in the coming 5-year plan and further on up to the end of the current century are comprehensively outlined in the Draft Directives of the 13th party congress. The fulfillment of the tasks and goals stipulated in them will mark Romania's transition to a new stage of development with wide-ranging consequences for the quality of work and life of all our people.

CS0: 2700/11



## COAL INDUSTRY DEVELOPMENT MAJOR TARGET

AU051116 Bucharest AGERPRES in English 0904 GMT 5 Oct 84

[Text] Bucharest, AGERPRES, 5 October 1984—After the war Romania's coal industry has witnessed an unprecedented development. Since 1950 extraction has gone up more than 16 times while mines have been opened to capitalize the deposits found in Oltenia, Banat, Transylvania, etc. Some 85 pc of the country's lignite reserves are to be found in Oltenia, for instance. Two combines--Motru and Rovani--supply almost three quarters of the country's steam coal production. Operations both underground and in open pits are organized according to technologies involving complex integrated mechanization. The technical base of mining will help producing some 55.5 million tons of lignite next year. The fact deserves mention that more than 35 pc of Romania's electric power is generated by coal-fired stations, and this figure is to be increased in ensuing years. Also rising is the demand of coking coal. Consequently the Romanian coal industry is undergoing a process aiming at an optimization of technologies paralleled by a continuous and intensive modernization of the coal extraction. Since as early as this year the daily extraction standard is to stand at 240,000 tons to go up to between 250,000 and 270,000 tons in 1985. New technologies and equipment used in the Jiu Valley coal field--the country's main supplier of coking coal--have provided a substantial rise in point of labour productivity, which in certain coal faces stands at 36 pc and again in the Jiu Valley a second open pit has been started at Cimpa, that turn out coking coal and is highly mechanized. The most up-to-date mining shaft has been commissioned and wide-section roadway has been cut at Lupeni. Reshaping the mining areas is a new orientation with the Romanian mining industry. It is meant to offer better work conditions to miners and to provide room for more efficient pieces of equipment to be moved around. The Jiu, valley miners have reached a top monthly production of nearly 300,000 tons of clean pit coal for coke and semi-coke. In point of lignite and brown coal the plan is not only fulfilled rhythmically but also overfulfilled considerably.

The coal industry is being endowed with advanced equipment, face cutters, high-capacity converters, road cutters, rotary excavators, etc. The mining equipment manufacturing enterprises have assimilated new machines and installations and the relevant research institutes are developing new technologies.

Over the ensuing five-year plan period (1986-1990), Romania's lignite and brown coal production will go up to 84-89 million [metric] tons annually. This is a mobilizing target considering the fact that many of the Romanian deposits are difficult to exploit.

CEAUSESCU VISITS BUCHAREST INTERNATIONAL FAIR

AU111857 Bucharest AGERPRES in English 1651 GMT 11 Oct 84

[Text] Bucharest, 11 Oct (AGERPRES)--General Secretary of the Romanian Communist Party and president of the Socialist Republic of Romania Nicolae Ceausescu inaugurated the tenth jubilee edition of the Bucharest International Trade Fair Thursday, October 11, which takes place under the theme "Trade-Cooperation-Development-Peace".

Taking part in the opening festivity alongside the RCP and Romanian state leader were Constantin Dascalescu, Romanian prime minister, and other Romanian state and party leading members, executives of central institutions.

The attendance included heads of diplomatic missions accredited to Romania, members of the diplomatic corps, directors of national pavilions and representatives of foreign exhibiting firms, Romanian and foreign journalists.

The Bucharest international trade fair, a general economic event in which over 10,000 firms from all continents have taken part since it was established, speaks most convincingly of Romania's wish to expand its foreign economic ties, its participation in the world exchange of assets, to strengthen still more its bonds of friendship with all the countries of the world to promote the cause of peace, cooperation and understanding among peoples.

The Bucharest International Trade Fair--TIB '84--was officially opened to the tune of the Socialist Republic of Romania's anthem.

The inaugural address was made by Vasile Pungan, minister of Foreign Trade and International Economic Cooperation.

To the applause of the attendance, Nicolae Ceausescu cut the ribbon, declaring open the tenth jubilee edition of the Bucharest International Trade Fair.

After the official opening ceremony, President Nicolae Ceausescu, other members of the Romanian party and state leadership saw round pavilions of the host country and other participant states.

The visit started at the central pavilion where exhibits, as well as figures displayed on large panels, give a comprehensive idea of the quality changes, of the renewal of key branches of the Romanian economy in recent years. The first to be seen were the stands of the machine-tool, electronics and electrical industries whose production has grown 446 times from 1945, and about 11 times from 1965. The share of their new and updated products has grown more than fourfold from 1965. Export, another relevant indicator which gives an idea of the competitive character of these Romanian products, has increased more than 360 times over 1950-1984. Products of these industries are now delivered to 70 countries of all continents.

Then the sections devoted to the machinebuilding industry were visited, a branch which has been greatly developed and updated.

Owing to their high-technology and high-quality standards, the Romanian products are well appreciated on the world market and are exported to 119 countries. In the last 20 years, Romanian exports from this sector grew over 12 times. Each sub-branch has made an even greater contribution to export and in a relatively short period Romania has turned into a renowned exporter.

Next, Nicolae Ceausescu stopped at the stand of the joint Romanian-West German company "Resita-Renk" which has recently celebrated its 11th foundation anniversary, a unit specialized in the manufacture of special reducers for the naval industry, coal conveyor belts and for cement mills.

Next came the stands of geology, the oil and gas industry as well as those presenting important branches of the Romanian economy: the mining, electric energy and metallurgical industries were seen round. [sentence as received]

The stands displaying products of the chemical industry bespeak a priority concern for increasing the gas and oil refining index, for the manufacture of new, better products of plastic, rubber and synthetic yarn and fibres, for the development of fine and small-scale chemistry, for the production of special materials for electronics and other sectors of the national economy. In the last few years, exports in the chemical sector have accounted for 25 percent of the total deliveries of Romanian products abroad.

President Nicolae Ceausescu also saw round the light industry's pavilion. On display are numerous products which both qualitatively and quantitatively are apt to meet the requirements of the home and foreign markets to an ever larger extent. The total exports of the branch have grown by 21.5 times in the last 20 years as the products of the Romanian industry were exported to more than 80 countries on all continents.

President Nicolae Ceausescu then visited the handicraft cooperatives' pavilion as well as stands of agriculture and the food industry, of the wood-working and construction materials industries.

At the exhibition section devoted to research, design and technological engineering, the steady evolution of original research in latest years, the

repute of the Romanian science throughout the world were underscored. Figures and data extensively point to Romania's wish to cooperate in science [as received]. She has relations with 75 countries in this field, and in the ongoing 5-year plan period Romania takes part, in cooperation with other countries, in 1,850 research projects.

Culture and art, deepening features of the Romanian civilization, expression of our people's creative capabilities, are a prominent section at the tenth edition of the Bucharest International Fair. Roman's international relations and exchanges in culture, education, science and information are illustrated in the language and with the means specific to the arts.

President Ceausescu visited then the national pavilions of the countries represented to the fair, as well as the stands of foreign firms. The present TIB edition has been entered by 39 states and 495 firms, which attests to the international prestige Romania and its policy of collaboration, unhampered cooperation, and understanding, tirelessly promoted by Nicolae Ceausescu, enjoy in the world. The countries with official pavilions are Australia, Austria, Belgium, Brazil, Bulgaria, Canada, the People's Republic of China, Colombia, Cuba, Czechoslovakia, Egypt, France, the German Democratic Republic, the Federal Republic of Germany, Greece, Hungary, India, Iraq, Israel, Italy, Japan, Norway, Pakistan, Poland, Somalia, Syria, Turkey, the USSR, the United States, Yugoslavia and Zaire. The Palestine Liberation Organization is also represented.

The representatives of the participating states conveyed President Nicolae Ceausescu the salute of the heads of state and government of their countries as well as wishes of success in his activity. Romania's president thanked and requested that his warm salute and best wishes be conveyed to the respective heads of state and government as well as success to their peoples in socioeconomic construction.

While seeing round the pavilions, President Nicolae Ceausescu cordially conversed with the participants in the fair. The fine relations between Romania and the countries present in this economic event, as well as the wish to further develop mutually advantageous collaboration and cooperation, expand and diversify goods exchanges to mutual interest, in the interests of the cause of peace, progress and understanding in the world were expressed on the occasion.

President Nicolae Ceausescu wished the participants in the fair successes in their activity, good health and happiness.

CSO: 2020/7



CROATIAN ECONOMIC RELATIONS WITH GDR

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 29 Aug 84 p 2

[Article by "J. G."]

[Text] Readiness on both sides for expanding long-term production cooperation is seen in complementing branches of the economy. The goal is to divide up production programs on an equal basis.

In the framework of economic cooperation, which is considered to be very significant for both countries, this year Yugoslavia and the GDR will realize more than 1.1 billion dollars of valuable trade. Croatia's share of this total will be 32 percent of exports and 26 percent of imports. The structure of Croatian deliveries is not satisfactory (with one-third raw materials, 27 percent consumer goods and agricultural and processed food products), so that the traditional commercial partners at the meeting held recently at the Croatian Economic Chamber during the visit of Wolfgang Rauchfuss, vice president of the GDR and president of the German side of the Mixed Committee for Economic and Scientific-Technical Cooperation With Yugoslavia, held in Zagreb, heard expression of readiness for additional efforts to bring markedly greater long-term production cooperation between our organizations in the next 5-year plan period in complementary economic branches, such as heavy machine building, electronics, ship building, electric power, etc.

The division of production programs and joint production on an equal basis of credit, raw material and subassembly supplies is, according to Ante Milovic, the right path to a more balanced, but increased and better structured transfer of goods. For that reason, we should stress arrangements negotiated on a new basis, along with testing of the ways in which bilateral cooperative relationships can be used successfully in joint entry into third markets.

On the realistic need for more German imports of Yugoslav agricultural goods, it was emphasized that besides traditional means, stress should be placed on processed products such as pastas, cigarettes, canned fruits and vegetables, in order to find the right balance between Yugoslav agricultural products and the agricultural machine industry when issues of trading such products for German agricultural equipment are concerned.

The president of Rade Koncar industries insisted on expanding cooperation by joint production of transformers and turbine generators by arranging deliveries of generators for diesel systems and other electrical equipment, especially systems for third countries. Considerably greater volume could be achieved in the cooperation of the Prvomajska industry in production of tool-making machinery, as well as in "Duro Dakovic's" deliveries of cement mixers, sugar processing equipment and energy equipment (also for third markets). Nikola Tesla is producing automatic telephone switchboards, while the Sisak iron works is producing seamless steel pipes, pipes for the petroleum industry, boiler and manganese pipes for steel vessels and the like. The products of the Automation and Measurement Technology Enterprise in Zagreb, and of the Electrotechnical Plant in Zagreb as well as those of other Yugoslav associated labor organizations, are being made in cooperation with partners of that highly industrialized country.

Considering the interest of INA-Petrochemicals of Kutina in acquiring potassium salts, the desire to set up relations on a long-term basis that would assure increased amounts of those salts is natural, given the growth in Yugoslav needs with the beginning of production at the second phase of the artificial fertilizer plant. In the industries of leather, paper, cellulose, knitwear and ready-made clothing, the intent is to switch from annual contracts to agreements covering entire 5-year plan periods, since then it is possible to organize final export production utilizing imported raw materials in a more rational manner. Where food exports are concerned, it is calculated that joint investments along the Neretva and on the islands along the coast should make it possible to export more significant amounts of mandarine oranges and other fruits and early vegetables.

There is mutual interest in establishing more complex and longer-term cooperation in shipbuilding as well, since Yugoslav shippers are interested in acquiring more ships from the GDR, just as Yugoslav shipyards are ready to expand their repair and reconstruction contracts for German ships, to build new plans for installations to exchange ship equipment and to cooperate in exploitation of the Baltic from Yugoslav platforms.

12131

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## REGIONAL, EXPORT, OTHER BARRIERS TO ECONOMIC GROWTH NOTED

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 3 Sep 84 pp 17-20

[Interview with Dr Miljko Trifunovic of the Foreign Trade Institute in Belgrade by EKONOMSKA POLITIKA: "The Ideology of Economic Federalism"; date and place not specified]

[Text] While satisfaction with the results achieved in Yugoslavia's foreign trade is not being concealed in official quarters, and reduction of the trade deficit is being emphasized as one of the most constructive results of reliance on our own resources, warnings are coming from specialists to the effect that the price of this kind of exporting could be just the reverse--instead of the economy becoming stronger, it could be completely exhausted. On the other hand attention is also being called to the fact that the problems of foreign trade cannot be viewed separately from the influence of domestic conditions, and in this connection particular mention is made of the profound connection between inflation and the refusal to adopt the market as the basic and reliable regulator of economic flows. We talked on these topics with Dr Miljko Trifunovic of the Foreign Trade Institute in Belgrade. We present a freely interpreted version of the interview.

EP [EKONOMSKA POLITIKA]: Yugoslav exports have held at a high level since the beginning of the year with minor fluctuations, while at the same time imports have been restrained to the maximum and have increased only 1 percent over last year. Although precisely these relationships in foreign trade have been referred to as the most optimal for getting out of the situation we confront (repayment of the foreign debt), at a recent meeting you described this kind of foreign trade as clouding the issue, implying that flows of this kind actually do not offer a basis for optimism.

Miljko Trifunovic: I think that today we have exports which are drying up and exhausting the economy in the true sense of the word, and as time passes this is becoming increasingly dangerous. In the absence of a market, which is an extremely unhealthy situation for development, economic entities unfortunately have a justification for this kind of exporting at any cost from the standpoint of the current balance of payments, and all of this is being encouraged by official spokesmen with the most recent indicators on the surplus of foreign exchange that has been achieved. However, I think there is hardly any need to spell out what this means structurally.

The essence of our foreign trade problem is our domestic market. It has ceased to function and for all practical purposes has been suspended under the impact of various blows, above all those coming from differing conceptions. I think there is no need to speak here about how we have differing conceptions of the market in general and of our own market in particular, since that is notoriously well known. Nevertheless, so that there will be no unnecessary misunderstanding about how I look upon this, I will mention two things. First, no substitute for the market and its mechanism has ever survived. Second, I am deeply convinced that rejection or restriction of the market in our country is unfeasible without causing very serious consequences. At the same time I am quite certain that the market vision for organizing the domestic economy is contained in the genesis of our social arrangement and system. I think that unless we set up a domestic market as an institution of a pluralistic socialist self-managing economy on which the performance of the economy is evaluated and whose standards determine the allocation of economic plant, there is nothing else for us to do but to go back to a command system in toto. After all, our inflation, unproductivity, unselectivity and other negative attributes have been profoundly determined precisely by the nonexistence of the market. But I would say that there are misunderstandings as to whether the market is inevitable or not.

Those conceptions which have never accepted the market and freer economic relations, the freedom of economic entities for our socialism are very influential. Such conceptions have only been adapting, and that mostly in verbal terms, to the existence of the market, always waiting for a suitable occasion to go on the attack as soon as the weaknesses show up of a system that is not undirected, but is only a little less directed. That is the case with the present polemics in which they are actually waiting their chance to frustrate establishment of market relations either directly or indirectly. Yet on the other hand we have never made ourselves completely clear about the market. Because of this basically vacillating attitude we have never equipped ourselves either in terms of organization or conception to oppose attacks of that kind. Which is why as soon as someone attacks something and relates it to the market, the immediate reaction is to enact a new regulation which supposedly would correct all those bad things, but actually the effect is usually such as to halt the process in the direction of the market.

That, incidentally, is also the reason why we are not moving faster with the economic stabilization, which is a kind of reform. It accounts for the correct arguments to the effect that the opponents of the market first undermine the stabilization program in order to build up strength for their arguments against the market by both relying on and indicating the fact that the program is actually being carried out slowly. I therefore think that it is necessary to draft a legal provision on the procedure and dynamics of the long-range economic stabilization program. After all, the procedure has been left to the structures which were actually operative and brought about the situation that made the stabilization program indispensable and which also certainly brought about the nonmarket relations, and the schedule for performance has been set so globally and with so many reserves and reservations that every impediment causes an actual postponement of the entire program. To be sure, it appeared that this would be overcome with this 5-year plan, which was supposed to turn



into the first phase of the stabilization, but by and large it all came down to a nonsensical changing of the figures of projections every 6 months, and they are then corrected every 9 months, and in the end it turns out that everything being done is without significance, that is, that it all provides a very weak foundation for any serious business. Which is why we have gotten into a senseless situation where the bureaucrats are entertaining society with their heated argument over their quantifications or the way they see things, and what as a practical matter we lack is a higher degree of economic responsibility on the part of everyone concerning his needs and his position in society. I also think that we should not lose sight of the fact that the bureaucrats include many people who are professionally incompetent to do their jobs.

In the first phase of carrying out the economic stabilization program it is indispensable to honor the fact that someone has to lose, although performance of the program realistically assumes general prosperity and indeed a gain for everyone. However, we seem to have misplaced this initial fact somewhere, and in that misunderstanding it came about that we are all losing because of the implementation of the stabilization program and no one is gaining, which, of course, gives immense room to those who are criticizing and attacking both the program and in general the orientation toward economic laws in development of the economic system. The question of differences in social welfare is often resorted to in that context. I think that it is an error to believe that any society in the world, unless it wants to be a Pol Pot society, a society of egalitarianism, can develop without honoring differences. In that context we can understand why it is in the interest of those forces to emphasize the discussion of social differences and possible social unrest as supposedly the most important social issues, which is actually a dangerous clouding over of the issue and diversion of the discussion from the essence of the problem.

EP: What does this kind of situation of exporting at all costs mean for development?

Trifunovic: It means that in material terms we are losing and in terms of technology and development we are going backward, which is clearly illustrated by the structure of exports over the first 6 months of this year. Instead of ever greater strength for exports of industrial products, which have shown a higher growth rate on the world market than raw materials, we are recording the opposite trend. That structure of exports has the result that all kinds of things are being produced in the country, that is, that exports are becoming in practice the limiting factor of development because of the limit on imports and the extremely parcelized domestic market. When that is set in relation to the extremely strong technological innovations in the world, then Yugoslavia's lag is quite disturbing. In that context we should not assume that we will succeed in augmenting exports unless we legalize imports. I would therefore say that in strict terms our problem is not exports, but imports. What I mean here is that it is obvious that we have turned ourselves over to those lines of thought which have never gone further in their reflection than autarky. I feel that only by legalizing imports, and that means creating reliable conditions in the system for imports to take place normally whenever necessary, is it possible to halt the autarky which is deeply founded in conceptions and indeed even in the most recent initial reflections about the

directions of future development. I would add here that a large part of the responsibility for the overall loss of vigor and structural deterioration is borne by the conceptions which in the recent past have become dominant for the strategy of development according to which investments were committed to the raw materials sectors, which were given "priority." The manufacturing plants accounting for most of the exports were left in the rear, which is now having direct repercussions even on exports.

EP: You are obviously a proponent of the argument that imports have to be legalized. However, how are we to get over the evident restrictions imposed by the balance of payments?

Trifunovic: All of those limitations are extremely relative categories. Every year we spend \$15 billion on imports, but we make them pass through channels of administrative regulation. Instead of letting the importing business constitute itself on the basis of the market, and using the available economic regulations to channel energies in the desired direction, we divided up with respect to various criteria--regionally, structurally, by economic organizations all the way to OOUR's [basic organization of associated labor], which ultimately means that exports and foreign exchange become the only important things regardless of the price of that foreign exchange and what that kind of exporting means in the long run for this country's economy. And then we still ask what causes inflation? If the domestic market is constantly forming a demand that is greater than the supply, and that is a situation which cannot be disputed, then the orientation toward exporting at all costs and the restriction and channeling of imports can have only one result--a drive for income (dohodovanje) whose consequence is the very strong inflation which absolutely no one is able to halt under such conditions. To be sure, it is perhaps also possible to arrive at stable prices if we follow the logic of the totalitarianists and control absolutely everything. There are countries which have administratively stable prices, but the question is how many products there are and how many are lacking on the market. But that then signifies taking the consequences to the end and asking what the situation, say, will be with tourism and all other sources of income.

But let us go back to the beginning of the answer and the \$15 billion of imports. Has anyone made an analysis as to the magical way in which we arrive at that figure of \$15 billion? Unfortunately not. Everyone assumes that 60 percent, or about \$9 billion, belongs to someone else and goes for something else, which, you see, is not even computationally accurate. The government, through the National Bank, takes 60 percent of the inflow in order to channel that portion of foreign exchange according to its own priorities, and most of it is spent on imports. It is that I am speaking about. Our imports do not amount to \$6 billion in value, but \$15 billion, and this gives altogether different dimensions to the whole set of problems. What I mean is that it is obvious that the foreign exchange which we are giving for exports [SIC] is being spent regardless of economic and market criteria. These are large global indicators which do not suffer any sort of distortion. That is why it is not true that we are not continuing to take credits abroad. On the contrary, we are taking them from the IMF and from other sources along with various commodity credits as well. The funds for importing do exist, but still the

relationship has been so adjusted that the resources do not arrive through the economic market, but they go through various SIZ's [self-managing community of interest] and must pass through various administrative locks, which actually reduce the entire situation to an absurdity.

EP: Do matters looked at in this way imply that these questions actually have more of a political dimension than an economic dimension?

Trifunovic: Absolutely, a political dimension, and I would broaden that and say that we have created a mentality both in the economy and in society as a whole which easily arrives at various stories and various kinds of arguments. In a community greatly plagued by various problems and seething such as is the case in Yugoslavia, something that offers peace and survival and disputes the market is easily accepted. The foreign debt seems to us like something that is a situation with no way out. When that kind of representation is related to the circumstances presented above, such arguments are still easier to consume. But in my opinion the issue is this. First of all that debt ought not to have been so large, and here we all know quite well how it came about. But it does exist today as a reality, and we cannot get around that. However, we must look at that debt in terms of development, not in terms of stagnation and a move backward. What it means to pay off the debt and to live in peace is to go back somewhere into the sixties. And what in general is the meaning of the idea that we will go back to that period? Anyone who thinks that we will pay off the debt by exporting at any cost and will still realize our potential for development seems to me irresponsible and incompetent in his statements. Some debts will be paid off, and others will have to be incurred, since that is what is being done by the whole world. But what has to change is that the credits be taken for the sake of those who are engaged in economic activity, not in order to lubricate the system and augment consumption.

EP: We are witnesses that today every announcement of imports and indeed of technology is met "at knife point," that is, as a threat to domestic production. What is your comment on that phenomenon?

Trifunovic: I think there is one thing here which has not been sufficiently brought to light--and that is the antagonism among the republic and provincial economic autarkies, in which everyone disputes technology in order to hold on to some advantage over others. That is the kind of market we are, instead of achieving it as an economic category, we have turned it into a market for settling political-ethnic-economic accounts. This is the basis for many people--using both liberalism and the market and economism in a pejorative sense, to be advocates of some economic confederation in which the republics and provinces should, as in fact they actually do, have all the economic power. I think that the economic separatism of the republics is what stands as an essential additional impediment. In my opinion, this situation, of course, makes no sense at all except for someone for whom conflict is an advantage.

The unified market cannot recognize such forces. After all, it is not tenable for someone to sit here in Belgrade, Zagreb or anywhere in a republic capital and to dream up his own plans and to push his own reasons as plans for Yugoslavia. But, let us be clear, the background of the economic separatisms is a

story that is rather long in terms of time. Our present versions and the theories which support and defend them date back to before World War II, when individuals committed themselves to propagating their own bourgeois party programs and worked out analyses about how much was being lost in the community, i.e., in Yugoslavia. Following World War II the followers of this line of thought went through several stages of development, among which these were the most notable: attacks on centralism, the policy of everything being clearly accounted for in relations among the republics, arguments about the lagging of some republics and provinces because of the more rapid development of others, and so on, in which it is neglected or deliberately overlooked that many of the principal economic troubles do not occur because of unity, but because of disunity.

EP: What are the possibilities within the existing features of the system to get out of this situation?

Trifunovic: The market. Only development of the market and of market relations, and that step by step. In my opinion that first step is importing (which does not mean that we dare abandon either realistic rates of interest or adaptation of the dinar's rate of foreign exchange), and then emphasis on the small business sector and on creation of opportunities for establishing new economic organizations as a beginning to solving the problem of unemployment. I refer only to emphasis, and here society is to become predominantly occupied with creating new work units to employ people in production and productive services. Of course those work units must also be a function of the market, of exports and they must be economically justified. But unfortunately we have reached a point where one does not dare propose the establishment of new work organizations, not even when the existing work organization or organizations do not justify their own existence.

EP: New imports of textiles, footwear and certain other products have been announced. Domestic production has been piling up inventories, but the prices on the domestic market have not been going down.

Trifunovic: We have a situation which is often overlooked. It has to do with our domestic debts, which seem not to be taken into account. We are constantly talking about the foreign debt, but the domestic debt is also very essential as a part of the story about autarky and about antimarket forces. I think that these are very important things in analyzing the present situation. Our domestic debt is estimated by some to be between two- and three-fold larger than the foreign debt. After all, anyone who is producing to create inventories and is unable to sell what he produces, or, put better, has no interest in selling it, has the present accounting system working for him. That is, what ought to be the heart of his income--the interest in selling what he has produced, is lacking in him since the system guarantees that his production for inventories will have almost the same effect as though he had sold that output on the market. That is why imports have to be the reason for opening a discussion both about the price of every domestic supply and thereby about the domestic debt as well. But not importing one ship of coffee which will satisfy the market and the citizenry for a short time.



There is no point at all in assuming that some work organization will have property worth, say, billions of dinars, but its actual value on the market is between one-half and one-third of that. That is why we have to initiate a process in which there will be real economic categories which will show how much things are worth. With depressed depreciation rates and the failure to revalue business capital, for years we have been creating a very problematical accounting base for establishing the business performance of work organizations. When that discussion gets under way, we will have a much clearer picture of who has assets and who has liabilities and what sort of opportunities everyone has. It is obvious that it is not a way out for the producer to reduce losses by producing less. Just as it is absurd, of course, for sociopolitical communities to be concerned with salvation of the economy by covering losses.

EP: Does that mean that the enterprise's subjectivity has been extremely undefined in the system?

Trifunovic: The economic subjectivity is in constant conflict with the subjectivity of the republics and provinces. Subjectivity was more clearly and strongly manifested until the republics got stronger and took over all the economic power into their own hands. Today we still have some economic organizations which unify interests at the level of Yugoslavia as a whole, but even they have been put in jeopardy. Yugoslavia is a part of the world, and we want to skip over that and negate it in some way. Such enterprises are in the position of being, I would say, multinational companies even outside the space of Yugoslavia. Instead of talking about them and their interests, we are more concerned about whether money has crossed republic borders or not, we are opening talks on social problems, and no one is going to speak about to what extent the republics and provinces have been creating precisely those social problems and inequities by having taken over positions in decisionmaking. It is therefore both logical and inevitable that we then hear lectures from those centers about the code of behavior and even the way of thought of the intellectuals and newsmen, of business executives and the working class, and even the peasants if necessary. To be sure, not about all at once, since that would be too much, but about some on one occasion and others at another time.

EP: Isn't it indicative with respect to economic entities that hardly any new enterprise has been recorded with the Economic Court in Belgrade over the last 10 years or so?

Trifunovic: True; however, I would broaden that observation by mentioning how many economic organizations have gone under in this kind of difficult economic situation. In our climate, unfortunately, ignorance often holds sway, so that there have been many articles appearing in many media about the effects of the crisis in the advanced countries of the West. Many have filed for bankruptcy. However, no one is going to say that at the same time far more new enterprises have come into being than went bankrupt. These processes, the birth and disappearance of business firms, are an integral part of a dynamic society. And we cannot and dare not get around that. When someone has no chances of surviving, we have to reconcile ourselves to his disappearance. Society is explicitly involved in that process. We have to be aware that that is better and less damage is done if he does nothing than if he works badly and incurs

the kind of losses we have seen. The matter does not end with the disappearance of one firm, since new opportunities will open up both for hiring and for many other things with a new economic organization which will come into being. To be sure, under pressure of the fear that this is difficult to accept as a one-sided measure, but as a process and long-range policy, that is actually the only way for the economy and society to function in a healthy way.

It is in that sense that the market must be rational--an economic element in the process of creating jobs and allocating resources. Today we have a situation where there is no way of investing money resources in some investment project. It is impossible to close one's eyes to the fact that people are tying up immense funds in some sort of would-be weekend cottages, monumental gravestones and all sorts of things which are of no use to anyone. In a society which is grasping every dinar this certainly cannot be taken as normal.

EP: As for the investment of personal resources, it is often argued in our country that there are dangers of capitalization both of individuals and also of relations.

Trifunovic: The sources of fear are dual, dogmatic and personal, but in my opinion they are certainly exaggerated. There are people who in following the logic of their own basically modest knowledge of this problem area raise the question of the compatibility of the private sector and of everything that follows therefrom with socialism, but when certain things are explained to them, then it is alright. However, there are a far greater number of those who associate this compatibility with their own position and they present the problem according to those assessments. This especially applies to those who have fixed themselves up nicely in various structures and are enjoying all the advantages of being a rentier without any personal capital. Those individuals whose personal abilities are very modest and very often even problematical and who everyday "check out" their social standing by comparing themselves to everyone who has a better automobile, weekend cottage, annual vacation, and so on, are especially active here in presenting arguments about that danger. The first thing for them is to survive where they are, but also to realize material advantage from this. The compatibility of socialism in the private sector is for them to some extent a private matter with public earmarks.

Yet it is a favorable circumstance that an ever greater number of responsible people are taking the problem for what it actually is, so that opportunities are being created, though with difficulties, for the private sector to be an important factor in our development. Yet there is a more profound problem here that we have not altogether agreed about, and that is the recognition of the existence of inequalities in terms of social institutions. I would say that at present we are fighting for the justice of equality. But it seems to me that a much more important issue is how to fight for the justice of difference and for applying potential of various kinds in both individuals and work organizations to meet the needs of social development. That is, we dare not reduce the matter to a deception in which someone above is never going to say "differences are coming about which threaten me." No, he will always point to social differences which are presumably hurting those down below. In that kind of false relationship the one up above intercedes as a protector, but

actually the concept is defective so long as society is unable to accept differing capacities as an essential factor in development. Differences must be respected and basically defended as a wholesome phenomenon both in work organizations and in individuals. It is not possible for all work organizations to be capable of growing to become multinational organizations. Likewise, everyone cannot be equally successful at his job or in his private business. This is something we must reconcile ourselves to and make it an economically normal thing. It is untenable to constantly reexamine from the social standpoint differences which come about as a normal consequence of a corresponding contribution through work, when the arbiters are those whose contribution either does not exist or is questionable. Here again the market has to make a selection. At present there is no better mechanism that would be both as objective and effective as the market. In that sense there is no substitute for the market. It can be supplemented with a plan, but everything must be a function of the market.

Ou: 1965 reform failed precisely because the government did not manage to resist those challenges which are precisely the challenges of the market. The government did not show sufficient initiative, flexibility or, if you like, even creativity by respecting the market and seeking solutions with the instruments of economic policy for the problems which arose at that point. Unfortunately, those views prevailed which viewed the market as an "evil spirit" which has to be trampled underfoot if not today, then tomorrow. If that had not been the case, the situation today would be altogether different, since then we would after all have some sort of a market with far fewer misunderstandings and squabbles among the republics and provinces.

EP: In the present situation, when the soundness of a business firm is measured by the level of its exports, technology is not for all practical purposes being imported. Of course, it is the lack of resources or nonexistence of a capital market that contributes most of this.

Trifunovic: The most recent news is that the Chinese have opened a kind of securities exchange for their own citizens in Canton. In seeking a way out of a difficult situation the borrowing of certain institutions from other systems and giving them a direction does not seem to me a sin at all. Unemployment, going backward and stagnation are a greater sin and they ought to be incompatible, especially with our type of self-management socialism. In that sense a socialism which is devoid of a market is deprived of the real basis for its development and progress.

EP: What is the role of the plan in such a concept of the market development of the economy?

Trifunovic: The plan, of course, has its own purpose, but once again only as a function of the market and of economic laws derived from the market and market relations. On the issue of the plan we have gone no further than that it is an organized and scientifically sound forecast and ongoing source of information. The kind of plan we now have is an outdated institution. It is a marked example of a compromise conception between an institution of centralistic administration and a rather vaguely defined self-management market

institution. When we add to this its time limitation to 5 years, which is a rather senseless combination of figures and promises in time which simply are not fulfilled, then it becomes clear that a great many things have to be changed in the shaping of its physiognomy. Our plan has to be a factor synchronizing development toward a rather realistically examined and evaluated present and future rather than the setting forth of parameters which cannot be achieved, since that only leads toward the logic of restrictions and unending administrative intervention. Today the parameters which the economy receives along with the plan are restrictive, and they hurt precisely those who are the best business performers. After all, a restriction does not hurt the one who is at the average or below it.

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## EXPORT PRICES INCREASE OVER IMPORT PRICES

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 7 Sep 84 p 2

[Article by Anda Petrovic]

[Text] The rise in average export prices in the first half of 1984 was greater than the increase in import prices, which is particularly positive if it is a reflection of improved quality of Yugoslav products being accepted on world markets.

Yugoslav foreign trade results for the first half of the year were such that they inspired a whole series of impressions, depending on the angle from which these developments were regarded. One approach is to look at export and import prices for products in comparison with last year's. That is a significant way to consider them, for the absolute values are one thing, while comparison of two total values can give a different picture. Judging from the achievements of the first semester, we cannot be dissatisfied with the relationship between export and import prices, at least on the basis of data compiled by the Federal Statistical Office from reports of its chief source, the Federal Customs Office.

### Good Market Placement of Machine-Building Products

If the first 6 months of this year and last year are compared, we see that export prices increased by 6 percent, while import prices had a smaller increase of about 4 percent. That means that Yugoslav exporters regained some of their old positions in international markets, for last year the index of average export prices compared to 1982 was only 98.

The pattern of this year's increases in export and import prices, as reported by the Federal Statistical Office, can be regarded strictly from the viewpoint of nomenclature, by purpose, etc., but in such considerations one cannot see what influences contributed to the price increases. We would rejoice if it were quality, the feature for which Yugoslav exports still cannot be praised very much and where there is still room for improvement.

The greatest advances were achieved by producers of machinery, appliances and transportation equipment, which is good news. These branches registered a 14 percent increase for the first 7 months. The same rate was registered for prices for animal and vegetable oils and fats, followed by chemical products, while foodstuffs, beverages and tobacco had an index of 98 compared to last year's level. Even worse results were recorded by nonfood raw materials, at an index of 96, while exporters of mineral fuels and lubricants realized only 92 percent of last year's prices.

#### Export Prices for Capital Equipment at Highest Level

On the import side, the most expensive prices were paid for animal oils and fats, where prices grew by 35 percent, followed by machines, appliances and transportation equipment with an 11 percent increase. Mineral fuels and lubricants had an index of 95, which had a major impact in holding the overall increase in import prices to 4 percent, as noted previously. Low prices were also seen for imported beverages and tobacco, with a final index of only 76.

If it is proper to judge according to prices received at the market, Yugoslav exports have been successful and competitive. The rate of growth for export and import prices for highly technical products has been essentially the same, at about 6 percent, just as for less technical products being exported, while the import price for such goods rose by 4 percent. The relationship is particularly favorable for unprocessed products, where there was a 4 percent growth in prices for exports accompanied by decrease for imports, to an index of 98 for goods of the same classification. If, however, that means that we are exporting raw materials of especially high quality, then it is not good. For raw materials and semimanufactured goods, a price increase for exports of 6 percent was recorded, with a 5 percent increase in import prices, but export prices for motor fuels fell to an index of 91, while prices for imports were at 95. Finished components for further production use were 1 percent cheaper for export than last year, while imported products in this category rose in price by 13 percent. Regarded as a whole, export prices for semimanufactured materials grew by 6 percent, and import prices by 4 percent, which is a favorable trend as long as it does not indicate that we are exporting products of better quality than we are importing. This category is also significant in that it provides an opportunity to evaluate the capacity of domestic industry to supply itself from domestic sources to the greatest possible degree. Such a procedure prevents the phenomenon that has come to be known as "selling away the national wealth."

Exports of capital goods increased in price by 21 percent, while imports in this category were up only 10 percent. That is certainly an exceptional success, especially since the rise was great in the leading areas: exports of plant machinery increased in price by 6 percent over last year, while imports in this category fell to an index of 88. The opposite was true for agricultural machinery, for export prices rose by 3 percent, while imports increased in price by 33 percent [sic]. Perhaps that is not much, for this category was doubtless affected by significantly higher prices for export

transportation, with prices up by 19 percent over last year. Ship-building saw a 25 percent increase in prices, while no data are listed for imports.

In consumer goods, imports saw a 6 percent increase in prices, which was higher than the 3 percent increase in export prices. Food exports were actually down in price (to an index of 89), which was not unexpected, at least when we recall the news about price reductions below logical levels. High exports of clothing and footwear certainly had an impact on the price picture, which showed a rise of 3 percent in export prices along with a 5 percent price increase for imports. Furniture was sold abroad for 1 percent more, while imports were cheaper, down to an index of 83. Textiles other than clothing were also sold cheaply, with an index of 88, although imports here were 2 percent higher in price. The most expensive imports, up 14 percent over last year, were pharmaceuticals, other medicines and cosmetics, but that should not concern us overly since our products in this category were sold at prices 57 percent higher than in 1983, which is most likely evidence that exports are of markedly higher quality than previously. That would certainly be the most favorable interpretation.

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## BORISAV JOVIC DISCUSSES DEFECTS IN ECONOMIC SYSTEM

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 10 Sep 84 pp 17-20

[Interview with Borisav Jovic, vice president of the Serbian Assembly, by EKONOMSKA POLITIKA: "Let Us Not Lie to Ourselves"; date and place not specified]

[Text] The subject of our interview on the topic of the foreign exchange system, in a series of interviews on why the stabilization program is not being carried out, is Borisav Jovic, vice president of the Assembly of SR [Socialist Republic] Serbia. The period which has passed is characterized by slowness and unwillingness to change even in this domain, although only change at maximum speed makes it possible to achieve the best economic results. The changes made so far are not sufficient to maintain the entire conception of the stabilization program, Borisav Jovic believes.

EKONOMSKA POLITIKA [EP]: Do you agree with the assessment that the foreign exchange system, which is one of the chief points of the overall reform, has remained essentially unaltered?

Borisav Jovic: The general situation in the foreign exchange system is unsatisfactory both in its development and also in its implementation. We have not yet managed to achieve unity in the country's balance of payments and exchange balance, that is, a unity of interests concerning them. Formally, we have done away with the payments and exchange balances of the republics and provinces in that the republics and provinces have relinquished the right to allocate importing rights to organizations of associated labor. But not enough progress has been made beyond that in the sense of creating the country's unified payments and exchange balance--except on paper. It has been brought together only on paper, but it is implemented through the payments balances of the banks, and the banks, as is well known, are mostly entities rounded off within the republics and autonomous provinces. The circulation of foreign exchange is for all practical purposes limited to customers within the bank. That is not what we wanted. Interests are still locked up within the limits of those balances, although rights to import are subject to uniform procedure and uniform criteria that apply to the entire country. The exercise of those rights varies greatly and depends on the bank's balance position, since the boundaries of the republics and provinces are crossed very rarely and with great difficulty.



Accordingly, unity of interests has not been achieved, nor has unity of the country's balance of payments. The many contradictions and difficulties which were in the first amendment of the law in late 1982 and in the second one late last year are still there. Things indispensable to the process of reproduction in the country are still being exported, and then imported again. There has been some small progress thanks to the immense efforts and a certain improvement of cooperation within the economy. But by no means has there been a qualitative change which might satisfy us in that the effort would be made toward obtaining the maximum value from the product and taking it to the finishing stage. This cannot be achieved so long as the country's balance of payments is dismembered this way, so long as the situation in the foreign exchange system is such that everyone's right to import is based on the inflow credited to his foreign exchange account, and finally, so long as the right to import is exclusively contingent upon exports regardless of how optimum those exports are from the standpoint of society.

If the problem is to be overcome and if the progress of the economy as a whole is to be facilitated, deeper changes are necessary above all in the foreign exchange system, that is, the foreign exchange accounts of organizations of associated labor have to be abolished along with importing that is contingent upon exporting. In other words, a policy of dinar convertibility is indispensable.

EP: Are those changes at one and the same time the preconditions for achieving dinar convertibility?

Jovic: The direct connections are unquestionable. If the dinar is convertible, foreign exchange accounts and importing contingent upon exporting make no sense, since it is a matter of complete indifference to the economy where it makes its sale, but what is important to it is the price at which it makes the sale. In that case the balance between the interests in exporting and importing is achieved with other well-known instruments, and not by making importing contingent upon exporting.

The next major and ever more pronounced weakness of the present system is the interest of organizations of associated labor in holding their foreign exchange as long as possible abroad and even collecting for goods sold as late as possible--and on the other side to make their payments abroad as fast as possible. On the one hand this gives them a larger benefit in terms of dinars on the basis of the expectation of new and higher rates of foreign exchange, while on the other they have greater certainty that the foreign exchange credited to their account will be used to pay their obligations and no one will take them in the meantime to meet various social purposes. This is a very disturbing situation, since we cannot say that this is an optimum system when it develops an economic interest in economic organizations to act contrary to the country's interest. This is not a small problem by any means. If this situation continues, we can expect exports to grow and collections to decline.

EP: The economy's behavior is in conformity with the system.

Jovic: It is still behaving according to the conditions given and its own interests. The problem is that we have not achieved what we wanted to on the scale of the entire society. We agreed to strive for unification of the economic interest, for maximum results of the economy and society as a whole, and deriving maximum value from what Yugoslavia can offer. We are coming to a point where those results are being degraded little by little, so that even what has been achieved at one point cannot be preserved because of the tendency to hold foreign exchange in the accounts of others and even not to collect accounts receivable.

The next major problem is the notorious linkage of imports to exports at the level of the work organization. It is a fact that under those circumstances organizations of associated labor are forced to export at all costs and even to export things which they should not be exporting according to a more rational economic line of thought and from the national standpoint. Thus we are turning in a circle of exporting all sorts of things, of competition of everyone with everyone else even on the foreign market, even where there are no rational conditions for exporting whatsoever, neither at the moment, nor in the future. And then often what has been exported is imported at higher prices. That, of course, slows down the pace of the restructuring of the economy toward creation of the technologically and economically optimum basis for inclusion in the international division of labor. Not much can be done here by any sort of government planning, but it cannot be done either by maintaining a policy which makes unselective exporting a general condition for everyone's survival. The conditions have to be set up in such a way that as a practical matter it is not possible to survive through unselective exporting, but rather profound restructuring must be ensured on an economically optimum basis. Only in that way is it possible to survive on the world market. This is bound up with the entire system, beginning with the rate of exchange of the dinar and all the export incentives, and certainly including the regulation of prices on the domestic market. This issue will be resolved when and insofar all of that and the other parts of the economic system are put in an order that makes logical sense.

EP: Is that also the assessment derived from this year's results with exports, which are said to be successful, and from which the conclusion is drawn that the system does not have to be radically altered?

Jovic: That thesis, although it has not yet succeeded in making its way, would be a new illusion that matters are essentially taking a turn for the better. I think that our economy is now like a patient who would like to take advantage of a momentary improvement to avoid an operation that is absolutely indispensable. However, a momentary improvement means only that the operation will be easier now than tomorrow.

It is quite clear that for all the improvements in economic trends we have not brought about a single qualitative change as yet: neither in a rise of profitability, nor in a rise of labor productivity or capital efficiency. So, we are only talking about quantitative indicators. I must call attention to the fact that what is rising can also fall off and decline. It is not enough just to rise, there also has to be a strengthening, and that strengthening is possible

only on the basis of qualitative factors in the conduct of economic activity, and cannot be obtained exclusively from a growth in the physical volume of output or exports. Reduction of the deficit in the balance of payments is a significant indicator, but it is being achieved at the expense of the standard of living, and that will continue until we achieve qualitative changes.

There are still quite a few defects in the system which have not been overcome. For instance, the way in which importing rights are established and the way in which they are exercised. That automatism in the linkage of importing rights to export results, in some equal percentage by activities, not only leads with inevitability to exports which are not sensible, but it also causes unwise importing. After all, if in this difficult situation with respect to foreign exchange you acquire the right to import something, even though you do not need it, you will do this or you will attempt to bargain with those rights in some way so as to obtain additional income.

And then there is no expansion of exports without expansion of capacity, without modernization and all the rest demanded by the foreign customer. But the present instruments greatly restrict the import of equipment. And that involving who knows how many checks of various kinds, so that it is very difficult for the economy to adapt and get its bearings under such circumstances. All of this shows the system to be complicated, difficult and so irrational that it must be rapidly abandoned and an effort made to greatly simplify it so that we create a straightforward system which leads inevitably to convertibility of the dinar and an interest in exporting denominated in dinars.

EP: You have said that even the implementation of such a system has not been consistent.

Jovic: What we expected of the system in the first phase--and that is for the foreign exchange market to commence operation as the key question in the functioning of the entire undertaking--has not been achieved. In the two phases we have had so far in amendment of the foreign exchange system we foresaw everything necessary for the foreign exchange market to begin operation and so that foreign exchange needs established and acknowledged in that way could be met in proportion to export results. However, the foreign exchange market has not begun operation. Which means that the principal expectation was disappointed.

EP: Do you anticipate essential changes soon, that is, before the beginning of next year?

Jovic: The foreign exchange market could begin operation even earlier if all the legal decisions adopted were implemented consistently, within the limits of the available resources and rights which have been granted, of course. No one believes that the foreign exchange market could operate as it would in the context of dinar convertibility. What has essentially happened here is that in the establishment of socially recognized needs in reproduction the rights which have been recognized are far greater than allowed by the country's exchange balance. On the other hand everything necessary has not been done to achieve an inflow of foreign exchange and to get the foreign exchange market

functioning even within the limits of the actual exports. If we had given out more gasoline coupons than we had gasoline, it would not be possible for them to be redeemed normally either.

EP: Gasoline coupons were issued mainly to individuals, while rights are granted to enterprises with the blessing of their republics or provinces.

Jovic: Rights are established at a single point at the center, certainly with the consent of the republics and provinces. However, serious mistakes have been made. Even, according to an analysis which the Federal Executive Council has submitted to the Yugoslav Assembly, those needs could have ranged at an approximate total of \$6 billion for this year, but about \$10 billion were distributed. What is going on here? It was not taken into account that a portion of the socially recognized needs in reproduction will have to be covered with foreign commodity credits, for reasons pertaining to the balance which account for our borrowing abroad. If one organization of associated labor is supposed to qualify for the right to import, and it acquires that right through foreign credit, then it cannot at the same time have the right to purchase that same amount of foreign exchange on the foreign exchange market for the same purpose. That is not how it was done, but rather the rights were duplicated.

EP: There are also other reasons for that discrepancy.

B. Jovic: The situation is similar with compensation deals. If an economic organization has foreseen that it will export goods and collect for them, then it is logical that it should be entitled to use its socially recognized need in reproduction to purchase raw materials. But if it has entered into a compensation deal, so that its production supplies for operation and export have been furnished, it cannot also qualify to purchase foreign exchange on the foreign exchange market. Here again a mistake was made by granting rights even to such work organizations. Or, when the debt was rescheduled, all organizations of associated labor were granted the right to purchase foreign exchange on the foreign exchange market to meet all obligations abroad which had come due, although it was well known that the country's balance of payments could not support that. After all, we would not have rescheduled the debt in order to be able to pay it. We rescheduled more than \$2 billion of debt for this year and the right to purchase on the foreign exchange market ought to have been reduced by that amount, since that foreign exchange is lacking. However, that right was granted, and permission was even granted for rights not exercised from last year to be exercised this year, which is also a mistake, since the balance of payments does not envisage that.

The question has to be put as to who is responsible for that. After all, we are not dealing here with small mistakes, but with issues of immense importance to thousands of organizations of associated labor and to the functioning of the entire system. These are not just methodological errors, these are also political errors. After all, if the Yugoslav Community of Interest has set up a methodology which has major defects and if the economy and the republics, which were involved and which are equally responsible for the decision, had an interest in extorting some greater rights, although objectively they



cannot be exercised, in the end the Federal Executive Council would be accountable under the law for verification of the uniform criteria and for evaluating whether the rights granted in that way conform to the country's balance of payments. The excuse cannot be made at this point that we did not know at that moment whether we would reschedule the debt, although we knew quite well that we could not repay it, or that we did not know what the size of the compensation deals would be. We do not know that even now, but we do know the principle that if you are not collecting anything, you cannot acquire a right on that basis. We knew that we would be using commodity credits, since we had made provision for them in previous years. So, these are serious methodological errors and a high degree of laxity on the part of those responsible. Last year we had something similar, but related to different matters. A reason is always found for postponing implementation of the decision agreed on.

EP: But the other decisions adopted as part of the recent changes have not been implemented either.

B. Jovic: Likewise, the inflow of foreign exchange to the foreign exchange market is outside the control of the competent authorities. There simply is no control, nor is it being exercised, nor is the legislation being applied. I would recall that the stabilization program has envisaged the conditions for the operation of the foreign exchange market, even if the foreign exchange accounts of organizations of associated labor are retained, and the only condition is that those organizations of associated labor which are holding foreign exchange in their foreign exchange accounts cannot obtain credits from the resources of note issue. The second condition is that they cannot obtain export incentives until they sell the foreign exchange, and the third is that they cannot include in gross income proceeds represented by foreign exchange which they have not sold. The restriction on credit is still not being enforced, the second condition was abandoned through consensus in the Yugoslav Assembly, and the discussion is still going on about gross income based on foreign exchange. So, the foreign exchange system has not justified expectations, and there is nothing for us to do but, first, to rigorously strengthen monitoring to the fullest so that what has been envisaged is carried out, and second, to thoroughly prepare changes in the foreign exchange system in the direction of the final solutions envisaged by the stabilization program.

EP: What has happened to the decision that the dinar be the sole means of payment?

B. Jovic: Nor has the commitment that the dinar become the sole means of payment in the country had much better success. On the basis of what has been discussed in the Yugoslav Assembly and on the basis of the data we have, it seems that the situation with pooling foreign exchange among organizations of associated labor is just a bit better than a few years ago. But in essence the basic fact still stands that foreign exchange is not being pooled solely in order to augment exports, as it is written in the law, but rather we have here various forms of resale, the selling of foreign exchange at high rates and actual payment for goods in foreign exchange. As for purchases made for foreign currencies within the country or for dinars of foreign exchange origin

by individuals, in this case the law has not even been adapted. In December it was resolved in the SFRY Assembly that in January the Federal Executive Council was to propose amendments for that section of the law whereby a solution would be found so that only foreigners, Yugoslavs employed abroad, could purchase goods under preferential conditions for dinars they obtained by selling foreign currencies. The Federal Executive Council has not yet submitted any sort of proposal to amend the law. We can be very dissatisfied, since foreign currencies are still being bought and sold by individuals and are a condition for obtaining goods which are scarce on the market, a condition for obtaining preferential credit terms, and so on.

EP: Aren't these after all halfway measures, even if they were consistently applied?

Jovic: That is true. However, we had all kinds of trouble drafting the stabilization program and reaching agreement concerning the foreign exchange system. And, of course, I must say, we made compromises. Ultimately we agreed on what would be the final solution. But we did not agree on when and how we would get there, but we found a compromise solution that we would head in that direction little by little. At this point we ought to be at the end of that first phase, in which it was envisaged that the foreign exchange market would go into operation, the dual currency in the country would be eliminated, the realistic rate of exchange of the dinar would be stabilized, in short, conditions would be created for moving relatively quickly and easily into the second phase. Unfortunately, we have not made much progress, so that it is very difficult to say where we go from here: Can we move on to the second phase as a final solution, since the first is not helping much, or should we go on improving the first and enforce it energetically. That is a matter for social evaluation and a decision.

EP: Foreign exchange has been a stumbling block for decades. How do you explain this?

Jovic: That is very difficult to put in a few sentences. I think that the foreign exchange system which we adopted in the latter half of the last decade is in a way the resultant of all the other disintegrations we have experienced. They did not begin with the foreign exchange system, but it rounded them out into an entire system which leads toward a total shattering of the national economy. As we fight now for construction of a unified foreign exchange system, a unified foreign exchange market and a unified Yugoslav market in general, we are actually attempting slowly to correct the failures and eliminate the causes of a disintegration of the Yugoslav economy and of society on a broader scale. Insofar as we succeed as a whole, in political and social terms, to make progress in that direction, to that extent we will also manage to resolve these technical matters which are expressed in the foreign exchange system itself. Of course, agreement over the foreign exchange system has an enormous feedback effect on integration of the Yugoslav economy and on its efficiency, as well as on the integration of the Yugoslav community, but this is always profoundly interconnected and intertwined.

EP: You are proposing, then, a combination of small and persistent changes and at the same time the preparation of more profound changes of direction in the foreign exchange system. What do you think about the fear that postponement of radical changes will jeopardize the entire stabilization program?

Jovic: The stabilization program will not fail because of the foreign exchange system. You can be certain of that. If it fails, it will be because of other matters. As for small steps or radical changes, in the case of the foreign exchange system matters are quite clear: we have foreseen two phases in the stabilization program. We did not reach an agreement to immediately undertake radical changes. So, what I am able to advocate is that we proceed correctly and properly as it is set down in the program. And that means: consistent implementation of the first phase right now and full and rigorous commitment to the realistic rate of foreign exchange, to the foreign exchange market and to the dinar as the sole means of payment within the country, with importing still contingent upon exporting insofar as it is indispensable, with gradual elimination and passage to the second phase. That phase is not far off. The first phase ought to be completed by the end of next year. Accordingly, at the very least we ought right now to be preparing a fundamental change of the foreign exchange system so that the new arrangements would function from the outset of 1986. There is not a great deal of time left for adaptation. However, that is not the whole point, but rather it is indispensable to create a number of other conditions for stabilization which do not lie solely in the foreign exchange system. An exclusive battle for the foreign exchange system would be a grand illusion. After all, we will not be able to achieve the functioning of the market as a whole and of the unified Yugoslav market, of which the foreign exchange market is only one part, without establishing equilibrium between supply and demand, both global and structural, and we cannot achieve that until we carry out the other changes in the economic system which have been envisaged.

EP: So that the principal shortcoming is that the measures are not being implemented in a synchronized way, but piecemeal.

Jovic: So, we have to tighten discipline on all sides. To be specific, we have to solve the question of differences in rates of exchange. Someone has to pay them. It is untenable to pile up several thousand billions in differences in rates of exchange which no one is paying, but everyone is spending. Or, until we tighten discipline as to the total volume of consumption, until we resolve the question of structural problems in the economy, until we begin to import what we do not have or reorient toward producing it, inflation cannot be calmed down. The whole set of measures has to result in the functioning and operation of its own laws. Only then will labor productivity start to rise, business will be better organized, production will turn toward efficient use of capital, toward saving, and so on, and so on. Only then will we be able to say that the conditions have been created for the rate of foreign exchange to be stable, so that it will be a matter of indifference to everyone whether he has dinars or foreign exchange. That is the framework of the general conditions for victory, and that victory does not lie only in some isolated new foreign exchange system; that victory is high productivity of labor for our economy and straightforward economic accounts in which every move must

be calculated to see whether it brings earnings. We have to be interested only in organizations of associated labor which have good earnings and in the creation of a process of selection in our economy which affords total progress for the economy and society. Without that we will not budge.

So, large changes lie ahead of us. So far we have changed three things: we have started toward a positive real rate of interest, we have introduced a realistic rate of foreign exchange and we have begun to restrict spending in the case of losses and illiquid organizations of associated labor. Those are fundamental decisions, since they signify the beginning of introduction of the economic consequences for the quality of business performance.

Yet, though those changes are very significant, they are not enough to maintain the entire conception of the stabilization program. Discipline has to be tightened to the fullest with respect to bringing economic accounts down to reality, so that we do not go on lying to ourselves. When we encompass all of that, we ought to arrive at a state of affairs in which it will in fact be very difficult to spend. The dinar will be more stable, and the foreign exchange system simpler.

EP: Do you agree that a summary of this interview might run like this: There is not a single factor which indicates that the stabilization program might have become outdated?

Jovici: It is an accurate assessment that the stabilization program has not become outdated. Time has proven not only that it is not outdated, but its justifiability has been confirmed more and more. Our country finds itself in a deep economic crisis. That crisis is by no means simple. The stabilization program revealed that situation. Its greatest value lies in the fact that it has shown in a scientific basis where the problem is and in my opinion has offered the only possible direction for getting out of the crisis that suits our conditions. It is only a question of whether we will go faster or slower, but postponement of implementation would draw us into more and more new difficulties which would inevitably complicate our life.

As for rapid and simultaneous or gradual implementation of the program--that is not a question of wanting or not wanting. When we were preparing the program, what we wanted was to go as fast as possible, since in that way the best economic results are achieved. But it was noted even at the time that this would depend in large part on political willingness to accept change. After all, the political factor is still the decisive one for the large moves which lie ahead of us. In my opinion, the principal obstacle has been and still is the fact that the essence of the stabilization program has not won full political acceptance in all the communities, regardless of the formal decisions which have been adopted; for that reason there has not been enough decisiveness to carry out the program with the effectiveness and speed envisaged in it.

EP: That nonacceptance goes back even to the commission for drafting the program.



Jovic: Unity was achieved in the commission after almost 2 years of discussion, and certain differences in individual views did remain. It is natural that later those differences had to be reflected during the actual implementation of the program. But ideal unity can never be easily achieved on such matters in the sense that all individuals will have an agreement on everything, since even here there is a conflict of interests, not only of regions and groupings, but of all other things as well, including even theoretical conceptions and outlooks. So that these differences are a natural thing, and however much we might want to implement the program effectively and as a whole, the way it was envisaged, it seems more and more that its implementation will go from point to point, involving a battle so that what has already been adopted does not fall apart, but is maintained. Although that is more difficult and expensive, it seems that it is more acceptable in political terms, so there is nothing for us to do but to fight to win out over that relatively longer road and not to give it up. If we achieve what has now been foreseen in the Yugoslav Assembly--enactment of all the most important decisions by the autumn concerning change in the economic system and to prepare the new 5-year plan on those foundations, which should have been done last year as far as the change in the economic system is concerned, then we would have a delay of 1 year, which need not mean a great problem.

EP: What is left for those who favor consistent implementation of the stabilization program if unity is not reached after all?

Jovic: Unity will be achieved. I cannot imagine any other outcome at all. I am firmly convinced that that course will win out. We can discuss what will happen to those who do not agree in essence, but they will have to accept the changes. For, I repeat, we have no other road to follow. That road will have to be traveled regardless of whether it is the result of our awareness and our concord--or it will be imposed by the development of events, at a higher price and with smaller results.

7045

CSO: 2800/501

RESEARCH ON URANIUM PRODUCTION FROM PHOSPHORIC ACID

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 10 Aug 84 p 6

[Article by "T"]

[Text] Research into the possibilities of obtaining uranium concentrate from phosphoric acid tailings has shown this to be one of the most promising and interesting projects to be worked on at the Institute for Technology of Nuclear and Other Raw Materials, in Belgrade.

Yugoslavia annually imports about 2 million tons of phosphorus ore for production of artificial fertilizers. These phosphates contain uranium in economically significant amounts, ranging from 50 to 150 grams per ton. New technology for extracting uranium from phosphoric acid tailings, according to the institute, should make it possible to obtain growing amounts of this valuable fuel.

Research began 2 years ago and has given satisfactory results.

According to current projections, this year and next about 115 million dinars will be spent on research, financed by the Republic Scientific Association, the Scientific Association of the Podrinjsko-Kolubar and Zajecar region, the Republic Fund for the Development of Economically Undeveloped Regions of Serbia, Associated Electric Power, Electro-Vojvodina of Novi Sad, the Inorganic Acid Labor Organization of Prahovo and the Zorka-Development Labor Organization of Sabac.

12131

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## PRIVATE AGROBUSINESS IN VOJVODINA DENOUNCED

Belgrade KOMUNIST in Serbo-Croatian 24 Aug 84 p 4

[Article by J Vavic]

[Text] "Agrobusiness" is the common name for everything that has been striking our eyes in the countryside and throughout agriculture for some time. It has taken such hold that it is no longer just an economic question, but also a sociopolitical and even a moral problem. The time has come to make a clear differentiation between who is a "farm worker and who a worker, who is a purchaser and who is a food broker." Farm worker Boge Gocevski is absolutely right when he asks that question. Today agrobusiness is the occupation of people of the most diverse professions, from agronomists, economists and lawyers to physicians! Among them, unfortunately, there are not a few who also hold labor and various public offices, and who also hold "red books" [of party membership].

It is, for example, an official statistic that during the course of a single year in Vojvodina 612 cases were uncovered in which the official maximum of 10 hectares was exceeded, along with 121 cases where nonagricultural workers possessed more than the maximum of 3 hectares allowed them. These facts are the ones known, and how many cases are there that inspections have not uncovered? It is a public secret, for example, that in individual Vojvodina villages, various "businessmen" have several maximum allotments in their hands, and this has gone on for years without any consequences, remaining outside the purview of tax and other social obligations. These are usually held by people who are also outside the jurisdiction of any socially organized agricultural production program. Rather, they operate exclusively on the basis of momentary market relationships for rapid easy profit. That "dance" of "agrobusinessmen" has other participants besides the multiple maximum land holders, and includes many others who in the disorderly field of agricultural production find ample operating room for their activities.

Naturally, these activities provoke great dissatisfaction among the great majority of Vojvodina farmers who by honest and devoted labor earn their own bread. This social evil, which has appeared in the form of "agrobusiness" and which brings incalculable harm to agriculture, cannot be uprooted and destroyed by anyone's anger, nor even by "official inspection tours and

legal regulations," regardless of the way in which they are set up. True, the "120 village action" begun by the Socialist Alliance a year ago has opened and sharpened this issue in the villages of Vojvodina. In a relatively short time, it has increased the number of cooperative farmers by 6,300, established three new cooperatives, and gotten socioeconomic activities in a number of villages started again. Nevertheless, these are but the first results, even though they are encouraging. We dare not stop halfway with such action, especially since it has met with stiff resistance. The resistance comes from those who want to maintain their monopolistic and privileged position in the village and in agriculture at any cost. Have not those forces contributed to the failure of the initiative for forming agricultural cooperatives in Beocin, Melenci, Futog, Despotovo and some other Vojvodina villages and settlements?

It is precisely the Draft Resolution of the 13th Session of the LCY Central Committee, by its breadth and content, that has called not only for open opposition to this phenomenon in the village, but at the same time has called for the broadest socially organized action to change the situation. From this, it is reasonably expected that "agrobusiness" will be among the most crucial themes at general party and social debates in the near future.

12131

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WATER IMPROVEMENT PROJECTS IN MACEDONIA

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 4 Sep 84 p 2

[Article by "T"]

[Text] On completion of construction of all water control systems, it will be possible to irrigate 143,000 hectares, or one-fifth of all tilled land in Macedonia.

The water control improvement systems being built with the help of the community and loans in Macedonia are bringing about a major revolution in Macedonian agriculture. Currently about 72,000 hectares are being irrigated in the republic, and soon facilities will be completed to make it possible to raise that number to 138,000. On completion of all water control improvements, a total of 143,000 hectares will be placed under irrigation. Fully 50 percent of all agricultural investments in the republic have gone to the construction of these systems.

The degree to which the new irrigation and land drainage systems will contribute to larger harvests is indicated by the fact that agricultural production in districts with water control systems has been nearly five times greater than prior to those improvements on the same land. That will enable more than a 40 percent increase in annual gross production of Macedonian agriculture over this year.

The Bregalnica, Tikves and Pelagonija water improvement systems, along with Skopsko polje and Strumica and terrain that is drained and irrigated in the districts of Struga, Tetovo, Gostivar, Ohrid, Kicevo, Prilep, Titov Veles, Valndovo, Gevgelija, Radovis and Kumanovo, have totally changed the face of these regions of Macedonia. In Pelagonia, 20,000 hectares are now giving world-level yields, and similar results are being obtained on 11,000 hectares in the Strezevo system and on 6,800 hectares in Struga and Radovisko Polje. Great promise is shown by the watersheds of the Bregalnica, Crno and Vardar Rivers, but great amounts of capital and perhaps most important, rapid construction, are needed in those regions.

By the construction of these systems in Macedonia, conditions have been created for noticeable structural, qualitative and quantitative changes in agricultural production, as well as for intensification and modernization.

For example, in Tikves District, the newly built systems have brought production that is three to four times greater in both volume and value. Before the water control systems were in operation, garden crops in this district were to be found only nominally, while today they occupy a prominent place in the economy and give good results. For example, alfalfa production formerly was 3,000 kg per hectare in one cutting, while now there are 5-8 cuttings yielding dried alfalfa at 12,000 to 16,000 kg per hectare.

In grape production, average yields before irrigation were 6,700 kg per hectare, while with irrigation they are reaching 18,000 to 20,000 kg per hectare, and at individual vineyards with particular strains they have reached record yields of 40,000-50,000 kg per hectare.

Together with the irrigation systems built in recent years, new water improvement undertakings in the republic have made it possible for Macedonian farmers to harvest two crops annually over large expanses. Rapid development is also taking place in transforming the villages. Village-to-city migration is decreasing. Irrigation is contributing to qualitative changes in production and distribution, and employment is increasing in a positive manner. The life-style is changing and the living standard of the populace is improving.

12131

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## MACEDONIAN ASSEMBLY NAMES THREE RESPONSIBLE FOR 'FENI' FAILURE

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 29 Sep-1 Oct 84 p 12

[Excerpts] No one doubted that behind the megalomania and biggest failure of the Macedonian economy were hidden people who have names and addresses but until recently it was doubted that things would move toward establishing personal responsibility. In May of this year the...huge "Feni" [ferronickel]... enterprise in Kavadarci closed. The failure of this plant cost 60 billion dinars. Credit obligations amounting to \$556.3 million and 16.1 billion dinars remained.

At the time it was being built a protective mechanism against responsibility was also built in. Collective decisions were the cover for all other mistakes in the economics [of it], so the result in the end was that everyone was to blame for everything. There was also the principle of untouchability of authority... the practice that no one from "outside" should interfere in "other" areas.

It will be recalled that 12-13 years ago Macedonian Assembly delegates postponed making a statement on building "Feni" but construction nevertheless started. The Assembly [investigating] commission has now concluded that one should examine the responsibility of the officials of the highest delegate body in Macedonia at that time, especially that of Assembly President Nikola Mincev; and that there is basis for examining the collective responsibility of the Executive Council, its President Ksente Bogoev and Vice President Dragan Zaharijevski. They will probably know how to answer the question of how construction of the combine started.

The commission, which is drawn only from the Assembly (again we are confronted with problems of noninterference from outside), has suggested that moves toward establishing responsibility also be made in other areas; it is said that in discussions in the Macedonian LC CC serious warnings were given about the economically unjustified construction of "Feni." It remains to be seen whether the CC will institute proceedings to establish responsibility.

Serious reservations came also from other bodies and institutions in the republic. Now it is clear that there never were any chances for this misbegotten giant to survive. The facts have been hushed up for over a decade. In whose name?

These first three names, publicly stated by the Macedonian Assembly, should not be the only ones in this process of establishing responsibility for the biggest investment failure in the Macedonian economy.

## BRIEFS

**MEAT EXPORTS**—In the first 7 months of this year, \$215-million worth of livestock and livestock products have been exported about the same amount as last year at this time. Young beef and horse meat, as well as canned hams, were exported the most. One-half of the meat and processed meat was sold to West European countries, with Italy the best customer, as in earlier years. The developing countries were also good buyers, and meat exports accounted for 18 percent of the foreign exchange earned from meat and livestock exports came from these countries, especially Iran, Jordan and Lebanon. About \$20 million was earned on the U.S. market, largely from canned meat. The 1984 plan to export \$446-million worth of meat and livestock will not be attained, mostly because of the reduced exports of meat to Greece. By August only 1,925 tons of the 22,000 tons agreed upon had been exported to Greece. [Excerpts] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 20 Sep 84 p 3]

**PROBLEMS IN TRADE WITH GREECE**—In the first 7 months of this year trade between Greece and Yugoslavia amounted to \$104.6 million (\$63.5 million in exports, or a 12-percent increase over the same period last year, and \$41.5 million in imports or 15 percent less than last year). The level of coverage of imports by exports increased from 117 percent last year to 153 percent. However, the value of commodity trade has been constantly declining; last year it was \$174.8 million, which represented a 36-percent decrease from 1982. The structure of exports and imports is also very narrow; namely, we export largely electric power, copper sulphate, young beef and lamb, while we have for years imported largely the same products, i.e., unprocessed cotton, sheet metal, tobacco, hides, magnesium carbonate, and southern fruit. It is obvious that there are problems calling for an open dialogue. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 18 Sep 84 p 1]

**TRADE WITH DEVELOPING COUNTRIES**—In the first 8 months of this year Yugoslavia exported \$1.17-billion worth of goods to the developing countries, and imported \$912-million worth of goods. Although Yugoslavia thus has a favorable balance of \$257 million, exports have declined 18 percent below the same 1983 period, while imports have fallen 25 percent. This is also the third year in a row that the share of trade with these countries in total Yugoslav trade has declined, and now amounts to only 15 percent compared to nearly 20 percent previously. The Federal Bureau for Social Planning, in cooperation with a number of state and economic institutions, has drawn up a strategy for increasing our percentage of trade with this area to 27 percent by 1990, and to 33 percent by 2000, with our exports increasing 16 percent and imports 25 percent. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 25 Sep 84 p 3]



**TOURISM REVENUE**--It is estimated that hard currency earnings from tourism this year will be about \$1.2 billion. But considering that records on such earnings are incomplete, it is estimated that real hard currency earnings for 1984 will be \$1.850 billion. From 1 January to 10 September \$743.1 million in hard currency revenue has been earned this year, or 21 percent more than during this period last year. In addition, \$720.1 million has been earned from the convertible-currency area. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 29 Sep-1 Oct 84 pp 3, 12]

**OBSTACLES TO LONG-TERM PROGRAM**--Belgrade, 8 Oct (TANJUG)--At its session today the Belgrade city committee of the League of Communists discussed tasks facing communists in the ideological struggle for socialist self-management and for implementing the long-term program of economic stabilization. "In his introductory report Ratomir Vico, member of the city committee presidium, drew attention to the slowing down of implementing the long-term program and to the examples of questioning the program from the standpoint of alleged protection of self-management against the invasion of alleged anarcho-liberal forces linked to market economy. Arguments are also being put forward about who loses and to what extent and who gains in all this. The long-term program has been accepted because its implementation should insure that all of us gain in the end. This common general interest underlying it all is the interest of the working class and that is what the League of Communists should be concerned with. Resistance to the stabilization program from the positions of defending the allegedly threatened interests of one's nation could be described as a form of economic nationalism. There is no difference, Vico stressed, between nationalists acting in the name of God, king or Jesus Christ and those who act in the name of their state or nation." [Belgrade TANJUG Domestic Service in Serbo-Croatian 0937 GMT 8 Oct 84]

**PLANINC RECEIVES CUBAN MINISTER**--Belgrade, October 5 (TANJUG)--Yugoslav Federal Premier Milka Planinc today, Friday, received Cuban Foreign Trade Minister Ricardo Carbrizas, who is also co-chairman of the Cuban-Yugoslav Commission for Economic and Scientific-Technical Cooperation. In the talk, the friendly overall cooperation between Yugoslavia and Cuba was assessed as positive. Special satisfaction was expressed with the activities of the two countries' economies directed toward increasing the volume of their mutual exchange. [Text] [Belgrade TANJUG in English 1040 GMT 5 Oct 84]

**STANOJEVIC RECEIVES BULGARIAN VISITOR**--Belgrade, 5 Oct (TANJUG)--Dr Milorad Stanojevic, member of the Federal Executive Council and president of the Federal Committee for Agriculture, in his capacity as chairman for economic and scientific-technical cooperation, today received Nikola Penchev, deputy chairman of the State Planning Committee of the People's Republic of Bulgaria. Stefan Staykov, ambassador of the People's Republic of Bulgaria in the SFRY, attended the talks. The discussion centered on the possibilities of promoting and expanding bilateral cooperation between the two

countries in the next medium-term period as well as until the end of the present medium-term period. [Text] [Belgrade TANJUG Domestic Service in Serbo-Croatian 1540 GMT 5 Oct 84]

RETAIL PRICES--Belgrade, Oct 4 (TANJUG)--Retail prices in Yugoslavia in September were 5.4 percent higher than in August. Their total increase in the first nine months of the year was 33.9 percent, and the increase between September 1983 and September this year was 56.7 percent, according to the Federal Statistical Office. Industrial food products registered the highest single increase in September--7.8 percent--and other industrial products rose by 6.5 percent. Services as a whole were 2.2 percent dearer in September as a result of an 11.7 percent increase in rents, 4.3 percent increase in artisan services, 1.5 percent rise in communal services, 1.3 percent increase in cultural services and 1.1 percent increase in transport and PTT services. Alcoholic drinks increased by an average of 1.3 percent last month. [Text] [Belgrade TANJUG in English 0942 GMT 4 Oct 84 LD]

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